

Application

(Original)

**Soddy Daisy HealthCare, LLC
Soddy Daisy (Hamilton Co.)**

CN1804-024



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

1. **Name of Facility, Agency, or Institution**

Soddy Daisy Healthcare Center
Name

701 Sequoyah Road
Street or Route

Hamilton
County

Soddy Daisy
City

TN
State

37379
Zip Code

Note: The facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.

2. **Contact Person Available for Responses to Questions**

Aaron Spinks
Name

Director of Business Development
Title

Grace Healthcare Support Services
Company Name

aarons@gracehc.com
E-mail address

801 Broad Street, Suite 300
Street or Route

Chattanooga
City

TN
State

37402
Zip Code

Support Services Company
Association with Owner

423-308-1845
Phone Number

423-308-1848
Fax Number

NOTE: **Section A** is intended to give the applicant an opportunity to describe the project. **Section B** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on **8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response.** All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). **Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.**

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

RESPONSE: The Applicant, Soddy Daisy Healthcare, LLC, is the licensee and operator of one-hundred twenty (120) licensed skilled nursing beds at Soddy Daisy Health Care Center located at 701 Sequoyah Road, Soddy Daisy, Tennessee (the "Facility"). All 120 beds in the Facility are dually certified for Medicare and Medicaid. This application seeks to add an additional 14 dual Medicare/Medicaid-certified beds to the Applicant's existing one hundred twenty (120) bed facility for a one hundred thirty-four (134) bed facility if approved. All of the 14 additional beds would be in private rooms.

The Facility currently provides care for private-pay, Medicare Level II and Medicaid Level I and II residents. There would be no change to the services currently provided.

The current configuration of the Facility is as follows:

Short-Term Rehab:	21 Beds
Long-Term Care:	88 Beds
Hospice Care:	11 Beds
TOTAL:	120 Beds

The project involves new construction to add a wing to the existing Facility. The addition will be a single story, steel framed building with systems and finishes to match the existing facility. The new wing will accommodate 21 private rooms with private bathrooms (including showers in each bathroom), a common living/dining area, a satellite nurse station and new and enlarged physical and occupational therapy suites. The layout of the addition also creates a new internal courtyard adjacent to the existing facility.

The finished new construction will consist of 13,958 square feet. The cost per square foot for total space is approximately \$233.44 based on total project cost.

The Applicant recognizes the need for additional beds, including in private rooms, in Hamilton County, particularly in the north Hamilton County are (the "Hixson Market"). The Facility draws a majority of its residents from the Hixson Market.

The Facility currently has eight (8) private rooms and fifty-six (56) semi-private rooms. If this application is approved, upon the completion of the new wing and a reconfiguration of the existing layout, the Facility will have thirty (30) private rooms and fifty-two (52) semi-private rooms.

2) Ownership structure;

RESPONSE: The Facility is licensed to and operated by Soddy Daisy Healthcare, LLC, a Tennessee limited liability company. The Facility and the land on which the Facility is located is owned by Eclipse Grace Sequoyah Road, LLC which leases the Facility to Eclipse Grace Master Landlord, LLC which subleases the Facility to Grace Master Tenant, LLC which subleases the Facility to Soddy Daisy Healthcare, LLC.

Soddy Daisy Healthcare, LLC is owned by Byron DeFoor (99%) and Susan DeFoor (1%).

See Organizational Charts on Attachment Section A-4A

3) Service area;

RESPONSE: The Service Area is Hamilton County; however, as further explained in this application, the more specific sector of the Service Area is the "Hixson Market" portion of Hamilton County. **See Map of Hixson Market and Chattanooga Market on Attachment Section B-Need-D1-a.**

According to the University of Tennessee Center for Business and Economic Research Population Projection Data Files, the total population for Hamilton County in 2017 was 359,331. From 2010-2017, the population increased from 336,463 to 359,331, a growth of 6.8%. Between 2019 and 2023 the County is expected to continue to increase by 4.1%, growing to a population of 380,768.

- In 2018, the 65 and older population comprises 18% of the total population of Hamilton County which is higher than the state average of 16.9%.
- The 65 and older population of Hamilton County will increase by approximately 13.8% from 2018 to 2022.
- The 85 and older population of Hamilton County will increase by approximately 14.8% from 2018 to 2026.

Further, and more importantly for this application, according to E-site Analytics, from 2010-2017, within a 5-mile radius of the Facility the 65 and older population grew by 26.0%. For the period of 2017-2022, the 65 and older population within a 5-mile radius of the Facility is projected to increase by 24.5%.

4) Existing similar service providers;

RESPONSE: There are eleven (11) skilled nursing facilities in the Applicant's projected Service Area of Hamilton County with a total of 1,721 beds. The Tennessee River divides Hamilton County with only three (3) crossing points, all in the downtown Chattanooga area. This physical barrier causes Hamilton County to be separated into two distinct markets: (1) the "**Chattanooga Market**" south of the Tennessee River; and (2) the "**Hixson Market**" north of the Tennessee River. Only four (4) of the county's eleven (11) facilities are located north of the Tennessee River with a total of 490 beds, which represents 29.5% of the total Hamilton County beds.

5) Project cost;

RESPONSE: The total estimated project cost is \$4,205,798,.01, with construction costs totaling \$3,258,353 or 77.5% of total cost. The construction cost is \$233.44 per square foot.

The Applicant's construction cost per square foot is higher than the new construction cost state standard (\$188.39/sq. ft. for 3rd Quartile (for 2015-2017)) which is due to the fact that in addition to all private resident rooms (each with its own private bathroom and shower), the new addition includes state of the art physical and occupational therapy suites, a common living/dining area which can be utilized by residents and their loved ones and an additional reception area and admissions office. Further, the layout of the addition also creates a new internal courtyard adjacent to the existing facility

6) Funding;

RESPONSE: The owner of the Facility, Eclipse Grace Sequoyah Road, LLC (the Applicant's ultimate landlord), is providing all funding for the project. Included in **Attachment Section A-6A** is the Amendment to Master Sublease and Security Agreement by and between Grace Master Tenant, LLC and Eclipse Grace Master Landlord, LLC which details the funding of the project and the increase in rent under the lease documents as a result thereof.

7) Financial Feasibility including when the proposal will realize a positive financial margin; and

RESPONSE: This project is economically feasible and will produce positive operating revenue within the first year of the operation of the project.

8) Staffing.

RESPONSE: The Applicant will add both clinical and administrative staff if the project is approved. The Applicant does not anticipate any difficulties in staffing the expanded Facility and will pay wages to additional staff that are competitive with state medians. The Applicant currently has a backlog of applications for various positions in the Facility. The current staffing is approximately 121.49 FTEs (all staff, both direct care and others), and the Application anticipates projected staffing of approximately 152.37 FTEs, 83.3 of whom will be direct care personnel).

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need;

RESPONSE: The current need for additional beds in Hamilton County is clear from the demographic data presented in this application. The city of Soddy Daisy as well as the surrounding communities are projecting rapid growth in population as well as an increase in the elder population. Further, the Facility has consistently maintained high occupancy rates year after year as set forth below:

2014	90.6%
2015	80.7%
2016	91.6%
2017	90.8%

Due to the sustained high occupancy levels, the Applicant must often deny admission to potential residents. Most of those denied residents end up residing in facilities that are within the Service Area but are further from the resident's loved ones, community and church and doctors. In addition to the bed need in the Service Area of Hamilton County (906 beds in 2019), the bed need for long-term care beds in the Hixson Market is even greater as 2 of the other 3 nursing homes in the Hixson Market effectively do not accept Medicaid.

2) Economic Feasibility;

RESPONSE: The project discussed in this application is economically feasible and will produce positive operating revenue in the first year it is open.

The Applicant has maintained high occupancy for the past several years and projects a continued high occupancy for the entire facility (including the new wing) as soon as the addition is completed.

The current deflections from the Facility are due to a lack of available private rooms. With semi-private rooms, the occupancy rate rarely exceeds 92% due to accommodating residents from a gender perspective as well as dealing with isolation issues. The construction costs exceed the 3rd Quartile of HSDA's Nursing Home Construction Cost Per Square Foot for Years 2015-2017 because the new addition includes amenities such as private bathrooms and showers in private rooms as well as expansive gyms for resident therapy, all of which amenities will enhance the residents' care and comfort.

3) Appropriate Quality Standards; and

RESPONSE: The Facility is currently in good standing with all licensing, certification and accrediting agencies. As set forth throughout this application, the Facility has and continues to provide the highest level of care for its residents. The Applicant continually monitors quality and resident outcomes to ensure the highest level of care.

4) Orderly Development to adequate and effective health care.

RESPONSE: As demonstrated in the many letters of support included with this application, the project will have a positive effect on the health care system. There is currently, and will continue to be, a substantial bed need in Hamilton County, and particularly in the Hixson Market, with only 4 of the 11 nursing homes in Hamilton County located in the Hixson Market.

Due to the consistent high occupancy of the Facility, the Facility's inability to accommodate potential residents and the fact that 2 of the other 3 homes in the Hixson Market accept very few residents with Medicaid as a supplemental payor (and no residents with Medicaid as the primary payor), the impact on other existing providers in the Service Area will be minimal. The Applicant strives to continue its partnerships with community leaders and other healthcare providers to ensure Hamilton County can accommodate the future growth of the elder population in the county and the surrounding counties.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

RESPONSE: The Applicant does not seek Consent Calendar consideration.

4. SECTION A: PROJECT DETAILS

A. Owner of the Facility, Agency or Institution

Soddy Daisy Healthcare, LLC

Name

801 Broad Street, Suite 300

Street or Route

Chattanooga

City

423-424-1842

Phone No.

Hamilton

County

TN

State

37402

Zip Code

B. Type of Ownership of Control (Check One)

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

F. Government (State of TN)
or Political Subdivision

G. Joint Venture

H. Limited Liability Company

XX

I. Other (Specify)

*Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbear.tn.gov/ECommerce/FilingSearch.aspx>. **See Attachment Section A-4A.***

Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

RESPONSE: The Applicant, Soddy-Daisy Healthcare, LLC, is owned 99% by P. Byron DeFoor and 1% by Susan DeFoor. **See Attachment Section A-4A.**

5. **Name of Management/Operating Entity (If Applicable)**

Grace Healthcare, LLC dba Grace Healthcare Support Services
Name

801 Broad Street, Suite 300
Street or Route

Hamilton
County

Chattanooga
City

Tennessee
State

37402
Zip Code

Website address: www.gracehc.com

For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. **Attachment Section A-5.**

6. **Legal Interest in the Site of the Institution** (Check One)

A. Ownership

D. Option to Lease

B. Option to Purchase

E. Other (Specify)

C. Lease of 12 Years

XX

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

1) Plot Plan **must** include:

a. Size of site (***in acres***);

b. Location of structure on the site;

c. Location of the proposed construction/renovation; and

d. Names of streets, roads or highway that cross or border the site.

2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 1/2 by 11

sheet of paper or as many as necessary to illustrate the floor plan.

- 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

7. Type of Institution (Check as appropriate – more than one response may apply)

- | | | | |
|--|-------|---|-----------|
| A. Hospital (Specify) _____ | _____ | H. Nursing Home | XX |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | _____ | I. Outpatient Diagnostic Center | _____ |
| C. ASTC, Single Specialty | _____ | J. Rehabilitation Facility | _____ |
| D. Home Health Agency | _____ | K. Residential Hospice | _____ |
| E. Hospice | _____ | L. Non-Residential Substitution-Based Treatment Center for Opiate Addiction | _____ |
| F. Mental Health Hospital | _____ | M. Other (Specify) _____ | _____ |
| G. Intellectual Disability Institutional Habilitation Facility ICF/IID | _____ | | |

Check appropriate line(s).

8. Purpose of Review (Check) as appropriate line(s) — more than one response may apply)

- | | | | |
|---|-------|---|-----------|
| A. New Institution | _____ | F. Change in Bed Complement | XX |
| B. Modifying an ASTC with limitation still required per CON | _____ | <i>[Please note the type of change by underlining the appropriate response: <u>Increase</u>, Decrease, Designation, Distribution, Conversion, Relocation]</i> | |
| C. Addition of MRI Unit | _____ | G. Satellite Emergency Dept. | _____ |
| D. Pediatric MRI | _____ | H. Change of Location | _____ |
| E. Initiation of Health Care Service as defined in T.C.A. § 68-11-1607(4) (Specify) _____ | | I. Other (Specify) _____ | _____ |

9. Medicaid/TennCare, Medicare Participation

MCO Contracts [Check all that apply]

☒ AmeriGroup ☒ United Healthcare Community Plan ☒ BlueCare _____ TennCare Select

Medicare Provider Number 445408

Medicaid Provider Number Level I 7440590 Level II 0445408

Certification Type Skilled Nursing

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare _____ Yes _____ No **XX N/A** Medicaid/TennCare _____ Yes _____ No **XX N/A**

10. Bed Complement Data

A. Please indicate current and proposed distribution and certification of facility beds.

		<u>Current Licensed</u>	<u>Beds Staffed</u>	<u>Beds Proposed</u>	<u>*Beds Approved</u>	<u>**Beds Exempted</u>	<u>TOTAL Beds at Completion</u>
1)	Medical						
2)	Surgical						
3)	ICU/CCU						
4)	Obstetrical						
5)	NICU						
6)	Pediatric						
7)	Adult Psychiatric						
8)	Geriatric Psychiatric						
9)	Child/Adolescent Psychiatric						
10)	Rehabilitation						
11)	Adult Chemical Dependency						
12)	Child/Adolescent Chemical Dependency						
13)	Long-Term Care Hospital						
14)	Swing Beds						
15)	Nursing Home – SNF (Medicare only)						
16)	Nursing Home – NF (Medicaid only)						
17)	Nursing Home – SNF/NF (dually certified Medicare/Medicaid)	120	120	14	0	0	134
18)	Nursing Home - Licensed (non-certified)						
19)	ICF/IID						
20)	Residential Hospice						
	TOTAL						
	*Beds approved by not yet in service		**Beds exempted under 10% per 3 year provision				

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.

CON Number(s)	CON Expiration Date	Total Licensed Beds Approved
N/A		

11. **Home Health Care Organizations** – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: **RESPONSE: NOT APPLICABLE**

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Maurry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

12. Square Footage and Cost Per Square Footage Chart

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
		44,120				13,958	58,078
Unit/Department GSF Sub-Total							
Other GSF Total							
Total GSF							
*Total Cost						\$3,258,353.00	
**Cost Per Square Foot						\$233.44	
<p>Cost per Square Foot Is Within Which Range (For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda).</p>					<input type="checkbox"/> Below 1st Quartile <input type="checkbox"/> Between 1st and 2nd Quartile <input type="checkbox"/> Between 2nd and 3rd Quartile <input type="checkbox"/> Above 3rd Quartile	<input type="checkbox"/> Below 1st Quartile <input type="checkbox"/> Between 1st and 2nd Quartile <input type="checkbox"/> Between 2nd and 3rd Quartile <input checked="" type="checkbox"/> Above 3rd Quartile	<input type="checkbox"/> Below 1st Quartile <input type="checkbox"/> Between 1st and 2nd Quartile <input type="checkbox"/> Between 2nd and 3rd Quartile <input type="checkbox"/> Above 3rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator RESPONSE: NOT APPLICABLE

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

A. Complete the chart below for acquired equipment.

<input type="checkbox"/> Linear Accelerator	Mev _____	Types: _____	<input type="checkbox"/> SRS <input type="checkbox"/> IMRT <input type="checkbox"/> IGRT <input type="checkbox"/> Other _____ <input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____
	Total Cost*: _____		
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished		
<input type="checkbox"/> MRI	Tesla: _____	<input type="checkbox"/> Breast <input type="checkbox"/> Extremity <input type="checkbox"/> Open <input type="checkbox"/> Short Bore <input type="checkbox"/> Other _____ <input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____	
	Total Cost*: _____		
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished		
<input type="checkbox"/> PET	<input type="checkbox"/> PET only <input type="checkbox"/> PET/CT <input type="checkbox"/> PET/MRI		<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____
	Total Cost*: _____		
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished		

* As defined by Agency Rule 0720-9-.01(13)

- B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.
- C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.
- D. Schedule of Operations:

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)		
Mobile Locations (Applicant)		
(Name of Other Location)		
(Name of Other Location)		

- E. Identify the clinical applications to be provided that apply to the project.
- F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care.” Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate “Not Applicable (NA).”***

QUESTIONS

SECTION B: NEED

- A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency’s website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

1. Determination of Need:

The need for nursing home beds for each county in the state should be determined by applying the following population-based statistical methodology:

Need = .0004 x population 65 and under, plus
.01 x population 65-74, plus
.04 x population 75-84, plus
.15 x population 85+

RESPONSE: According to the Tennessee Population Projections published by the Division of Health Statistics of the Tennessee Department of Health and the codified bed need formula, Hamilton County currently has and will continue to have a deficiency in beds. In 2019, the *net* bed need will be 906 (the need being 2,627 with 1,721 beds currently available). By the year 2022, the projected net bed need is 1,114 beds. Please see the attached table on **Attachment Section B - Need - A-1** showing the bed need analysis. The bed need is projected to grow in Hamilton County over the next few years from both population growth and an aging population. The statistical analysis supports the fact that this criteria is met and there is an existing and future demand for the project. The Applicant realizes the need to provide additional beds to ensure that the senior citizens of Hamilton County, particularly residing in the Hixson Market and needing long-term care, are adequately served. Further, the Applicant needs to add 14 beds to the Facility to ensure additional beds are available generally and to meet the anticipated increase in its nursing home utilization.

2. **Planning Horizon:** The need for nursing home beds shall be projected two years into the future for the current year.

RESPONSE: According to the Tennessee Population Projection published by the Division of Health Statistics of the Tennessee Department of Health and the codified bed need formula, in 2019, the first full year of operation, Hamilton County is projected to need an additional 906 nursing home beds (total need minus existing beds), and in 2020, the second full year of operation, the net bed need is projected to be 974 (see **Attachment Section B - Need - A-1**).

3. **Establishment of Service Area:** A majority of the population of the proposed Service Area for any nursing home should reside within 30 minutes travel time from that facility. Applicants may supplement their applications with sub-county level data that are available to the general public to better inform the HSDA of granular details and trends; however, the need formula established by these Standards will use the latest available final JAR data from the Department of Health. The HSDA additionally may consider geographic, cultural, social, and other aspects that may impact the establishment of a Service Area.

RESPONSE: The Service Area is Hamilton County, but specifically, the Hixson Market which is the portion of Hamilton County north of the Tennessee River. The 2016 JAR data from the Department of Health indicates that of 327 total residents at the Facility for the reporting period (1/1/2015 - 12/31/2015), 319 (i.e. 97.5%) were residents of Hamilton County with the remaining 8 residents coming from Rhea county.

In 2017 the Facility reported 418 admissions. An analysis of these admissions for zip codes of prior residence was conducted. A total of 57% of the admissions came from Soddy Daisy and Hixson zip codes with admissions from other surrounding towns in the Hixson Market as follows:

Zip Code	City	Admission
37379	Soddy-Daisy	136
North of Tennessee River		
37343	Hixson	102
37415	Red Bank	25
37321	Dayton	10
37405	North Chattanooga	8
37367 and 37327	Pikeville/Dunlap	8
37373	Sale Creek	8
	Signal Mountain	3

Source: Applicant - Note: This chart shows relevant data when more than 1 resident is from a particular zip code and that zip code is in the Hixson Market.

As shown by the data, the majority of Facility admissions originate from north of the Tennessee River.

The Applicant believes that with the addition of 14 beds it will be able to accommodate more residents of Hamilton County, and in particular, the Hixson Market.

4. **Existing Nursing Home Capacity:** In general, the Occupancy Rate for each nursing home currently and actively providing services within the applicant's proposed Service Area should be at or above 90% to support the need for any project seeking to add new nursing home beds within the Service Area and to ensure that the financial viability of existing facilities is not negatively impacted.

When considering replacement facility or renovation applications that do not alter the bed component within the Service Area, the HSDA should consider as the primary factor whether a replacement facility's own occupancy rate could support its economic feasibility, instead of the occupancy rates of other facilities in the Service Area.

RESPONSE: The existing nursing home bed need, as established by the statutory need formula, shows the Service Area, Hamilton County, in need of additional nursing home beds. As noted in the criteria, a key component of the HSDA's consideration should be how a facility's own occupancy rates support the economic feasibility; otherwise, a facility that is highly desirable because of its services and amenities could be impeded from necessary growth as part of its strategic plan. As shown in the chart below, the other three other facilities in the Service Area are not at or above 90% occupancy. However, the addition of 14 beds at the Facility should not have a material negative impact on the other existing providers as the Facility is currently turning away residents, many of whom are leaving the Hixson Market for nursing home care.

Due to the fact that most of the Facility's rooms are currently semi-private, the occupancy rate rarely exceeds 92% as the Facility must accommodate same gender roommates as well as deal with quarantine issues.

With the addition of 21 private rooms in connection with the Facility's renovation and 14 additional nursing home beds, the Applicant believes the Facility will sustain an occupancy at or above 92%.

The following table summarizes the occupancy trends for the Facility as well as the other nursing homes in Hamilton County, broken down into the Hixson Market and the Chattanooga Market.

Facility	2014	2015	2016
North of the Tennessee River (Hixson Market)			
Soddy Daisy Healthcare Center (Applicant)	90.6%	80.7%	91.6%
Alexian Village Health & Rehab	86.6%	87.4%	93.5%
Life Care Center of Hixson	87.9%	83.3%	66.7%
Life Care Center of Red Bank	74.3%	74.3%	74.7%
South of the Tennessee River (Chattanooga Market)			
Life Care Center of Collegedale	83.5%	90.8%	87.9%
Life Care Center of East Ridge*	Not Available		
Life Care Center of Ooltewah*			53.3%
NHC Healthcare	87.5%	91.9%	92.8%
Woodland Terrace	94.8%	82.45%	No Data in JAR
St. Barnabas at Siskin Hospital	86.7%	87.42%	65.3%

*Medicare Certified Only

Source: 2014-2016 Joint Annual Reports and Medicare.gov Nursing Home Compare

While the 2017 JAR Reports are not yet available on-line, the Applicant represents that its average occupancy in 2017 was 109 (90.8%) and its 2018 occupancy through April 30, 2018 was 87.7%.

With the need in the Hamilton County Service Area in 2019 for 2,627 beds, the Applicant's modest request for 14 additional beds should not affect the other facilities in the Hixson Market or in Hamilton County as a whole. As shown in **Attachment Section B Need - A-1**, even if every facility in the Hamilton County Service Area were at full occupancy, there is still a need for 906 additional beds in 2019.

The *net* need in the years following 2019 continues to increase to 1,114 in 2022 (a mere 3 years later).

As evidenced by the numerous letters of support from government officials, physicians trying to place residents in the Facility and other concerned individuals from Hamilton County and Soddy-Daisy, a need currently exists for additional high quality skilled and long term nursing home beds in the Service Area.

5. **Outstanding Certificates of Need:** Outstanding CONs should be factored into the decision whether to grant an additional CON in a given Service Area or county until an outstanding CON's beds are licensed.

RESPONSE: There are no outstanding CONs in the Service Area.

6. **Data:** The Department of Health data on the current supply and utilization of licensed and CON-approved nursing home beds should be the data source employed hereunder, unless otherwise noted.

RESPONSE: The Department of Health data has been employed for this application.

7. **Minimum Number of Beds:** A newly established free-standing nursing home should have a sufficient number of beds to provide revenues to make the project economically feasible and thus is encouraged to have a capacity of at least 30 beds. However, the HSDA should consider exceptions to this standard if a proposed applicant can demonstrate that economic feasibility can be achieved with a smaller facility in a particular situation.

RESPONSE: This criterion is not applicable as this is not a newly established nursing home.

8. **Encouraging Facility Modernization:** The HSDA may give preference to an application that:

- a. Proposes a replacement facility to modernize an existing facility.
- b. Seeks a certificate of need for a replacement facility on or near its existing facility operating location. The HSDA should evaluate whether the replacement facility is being located as closely as possible to the location of the existing facility and, if not, whether,
- c. Does not increase its number of operation beds.

In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described in TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems, and/or facilities that seek to improve the patient-centered nature of their facility by adding home-like features such as private rooms and/or home like amenities.

RESPONSE: This criterion is not applicable.

9. **Adequate Staffing:** An applicant should document a plan demonstrating the intent and ability to recruit, hire, train, assess competencies of, supervise and retain the appropriate numbers of qualified personnel to provide the services described in the application and that such personnel are available in the proposed Service Area. However, when considering applications for replacement facilities or renovations of existing facilities, the HSDA may determine the existing facility's staff would continue without significant change and thus would be sufficient to meet this Standard without a demonstration of efforts to recruit new staff.

RESPONSE: The Applicant pays wages and offers benefits that are commensurate with prevailing rates of other employment opportunities in the community. The Applicant has not had an issue staffing the Facility. The Applicant currently has adequate staff for the Facility, including adequate professional staff required by the Department of Health, and does not anticipate any difficulty filling positions needed in connection with the addition of 14 beds.

10. **Community Linkage Plan:** The applicant should describe its participation, if any, in a community linkage plan, including its relationships with appropriate health care system providers/services and working agreements with other related community services to assure continuity of care. If they are provided, letters from providers (including, e.g., hospitals, hospice services agencies, physicians) in support of an application should detail specific instances of unmet need for nursing home services.

RESPONSE:

The Applicant works with case managers from several area hospitals as they discharge residents to the Applicant's care. As evidenced by the letters of support included in **Attachment Section B - Need - General**, the Applicant has strong working relationships with several local physicians, senior citizen liaisons, and case managers and a hospice provider. This project is strongly supported by the community.

11. **Access:** The applicant should demonstrate an ability and willingness to serve equally all of the Service Area in which it seeks certification. In addition to the factors set forth in HSDA Rule 0720-11-.01(1) (listing the factors concerning need on which an application may be evaluated), the HSDA may choose to give special consideration to an applicant that is able to show that there is limited access in the proposed Service Area. However, an applicant should address why Service Area residents cannot be served in a less restrictive and less costly environment and whether the applicant provides or will provide other services to residents that will enable them to remain in their homes.

RESPONSE: All beds in the Facility are and will continue to be dually certified in the Medicare and Medicaid programs. The Applicant's model targets both individuals who are Medicare qualified beneficiaries seeking skilled nursing and rehabilitation services as well as Medicaid qualified beneficiaries seeking long term care. Due to the fact that Medicare is a federal insurance program covering individuals age 65 and older, as well as disabled individuals below this threshold age, access to long term care Medicare beds is a function of bed availability in the market. Similarly, Medicaid, as a joint federal and state program providing free or low cost healthcare, benefits low income residents in the Service Area. As set forth in this application, 2 of the other 3 nursing homes in the Hixson Market accept such a small amount of Medicaid that they effectively do not accommodate Medicaid residents. As stated previously, the Applicant continuously turns away residents due to the unavailability of beds. The additional beds at the Facility will provide greater access to health care for Medicare and Medicaid beneficiaries and reduce the instances in which the Applicant is unable to accept residents due to full occupancy.

12. **Quality Control and Monitoring:** The applicant should identify and document its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details in its Quality Assurance and Performance Improvement program as required by the Affordable Care Act. As an alternative to the provision of third party accreditation information, applicant may provide information on any other stated, federal, or national quality improvement initiatives. An applicant that owns or administers other nursing homes should provide detailed information on their surveys and their quality control programs at those facilities regardless of whether they are located in Tennessee.

RESPONSE: The Applicant is currently in good standing with all licensing, certifying and accrediting agencies. As demonstrated in this application and the Applicant's regulatory history, the Facility has provided high quality of care since its opening. The Applicant reports extensive quality measures as part of its involvement in the Medicare and Medicaid programs. The Applicant has an ongoing quality improvement program to monitor and improve patient outcomes. The outcomes are regularly reported as part of public reporting requirements for all nursing homes. The Facility has an overall rating of 4 out of 5 stars as rated by Medicare's Nursing Home Compare. See **Attachment B - Need - A-12** for the Facility's profile from Medicare's Nursing Home Compare website and recent survey results for the Facility. The level of quality provided by the Applicant results in the residents of Hamilton County choosing to reside at the Facility. Further, as set forth in the Letters of Support, it is the outstanding reputation of the Applicant and the Support Services Company, Grace Healthcare, LLC, that keeps the Facility first on families' and potential residents' list when seeking skilled nursing services and long term care.

As previously stated, the Facility has maintained, and will continue to maintain, the highest quality of care. As set forth in the chart below, the Facility is among the highest rated nursing homes in Hamilton County.

Facility	Overall Rating	Health Inspections	Staffing	Quality Measures	Total Stars
Alexian Village HCC	****	**	****	*****	15
Soddy Daisy HCC	****	****	***	**	13
LCCA Hixson	***	**	***	*****	13
LCCA Red Bank	*	*	***	***	8
LCCA Collegedale	****	****	**	****	14
LCCA East Ridge	Too New to Rate				
LCCA Ooltewah	***	***	***	****	13
NHC Healthcare	***	***	***	****	13
St. Barnabas at Siskin	****	**	*****	*****	16
Standifer Place	***	***	*	*****	12
Woodland Terrace	**	*	*	*****	9

Source: Medicare.gov Nursing Home Compare

13. **Data Requirements:** Applicant should agree to provide the TDH and/or the HSDA with all reasonably requested information and statistical data related to the operation and provision of services at the applicant's facility and to report that data in the time and format requested. As a standard of practice, existing data reporting streams will be relied upon and adapted over time to collect all needed information.

RESPONSE: This criteria is met. The Applicant will participate in any data production of collection activities and acknowledges its agreement to this criteria.

14. Additional Occupancy Rate Standards:

- a. An applicant that is seeking to add or change bed component within a Service Area should show how it projects to maintain an average occupancy rate for all licensed beds of at least 90 percent after two years of operation.
- b. There should be no additional nursing home beds approved for a Service Area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate of 90 percent. In determining the Service Area's occupancy rate, the HSDA may choose not to consider the occupancy rate of any nursing home in the proposed Service Area that has been identified by the TDH Regional Administrator as consistently noncompliant with quality assurance regulations, based on factors such as deficiency numbers outside of an average range or standards of the Medicare 5 Star program.
- c. A nursing Home seeking approval to expand its bed capacity should have maintained an occupancy rate of 90 percent for the previous year.

RESPONSE: The Nursing Home CON Standards state that, in general, the occupancy rate for each nursing home currently and actively providing services within the Applicant's proposed Service Area should be at or above 90% to support the need for any new project seeking to add new nursing beds within the Service Area and to ensure that the financial viability of existing facilities is not negatively impacted.

The existing nursing home bed need, as established by the statutory need formula, shows Hamilton County as significantly in need of additional nursing home beds. As further noted in the criteria, a key component of the HSDA's consideration should be how a facility's own occupancy rates support the economic feasibility of a project; otherwise, a facility that is highly desirable because of its services and amenities could be impeded from necessary and desired growth as part of its strategic plan. The Facility has an overall rating of 4 out of 5 stars as rated by Nursing Home Compare and has had surveys free of clinical deficiencies for the last three (3) surveys.

As noted in Section B, Need, Question 4 above, the 10 other facilities in the Hamilton County Service Area are not at or above the 90% guideline in the standard. However, the last three year's occupancy at the Facility of 80.7% (2015), 91.6% (2016) and 90.1% (2017), as well as the large numbers of deflections of residents desiring admission, strongly demonstrates that the Facility must expand to continue to serve the needs of Hamilton County (and the Hixson Market, in particular).

The criteria and standards includes an example that an Applicant may be able to make a case for additional beds if specific ancillary services or bed types are lacking in a proposed Service Area.

As set forth in this Application, the Hixson Market is disproportionally under bedded as compared to Hamilton County as a whole. Further, 2 of the other 3 facilities in the Hixson Market admit a much lower percentage of Medicaid residents as compared to the Applicant (see **Attachment Section B Contribution to the Orderly Development of Health Care - B**). Accordingly, the Applicant is one of only two providers in the Hixson Market accepting long-term care residents. Unfortunately for potential residents, other facilities in the Service Area have decided that the superior business model is accommodating short-term rehabilitation residents. While the Applicant is happy to continue accept long-term care Medicaid residents, it must expand its number of beds in order to do so.

- B. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

RESPONSE: The Applicant is committed to meeting the needs of Hamilton County's (and Soddy Daisy's) growing population. Additionally, the Applicant has recognized the trend for residents in long term care facilities to prefer private rooms.

- C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment Section B - Need-C.**

Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total residents
Hamilton - 2016 JAR	319 of 327 residents	97.55%
Hamilton - 2015 JAR	93 of 110 residents	84.54%
Hamilton - 2014 JAR	100 of 108 residents	92.59%

- D. 1). a) Describe the demographics of the population to be served by the proposal.

RESPONSE:

Hamilton County is the fourth most populous county in Tennessee and the County seat of Hamilton County is Chattanooga.

Hamilton County is home to eleven (11) nursing homes, totaling 1,721 beds. The Tennessee River divides the county with only three (3) crossing points, all in the downtown Chattanooga area. This physical barrier divides Hamilton County into two separate and distinct markets - the **Hixson Market** and the **Chattanooga Market**. Only four (4) of the county's eleven (11) facilities are located north of the Tennessee River, or 490 beds, which represents 29.5% of the total Hamilton County beds (see chart on next page).

Facility	Total Beds
North of the Tennessee River (Hixson Market)	
Alexian Village Health & Rehab 622 Alexian Way, Signal Mountain, TN 37377	114
Life Care Center of Hixson 5798 Hixson Homeplace, Hixson, TN 34343	108
Life Care Center of Red Bank 1020 Runyan Drive, Red Bank, TN 37405	148
Soddy Daisy Healthcare Center 701 Sequoyah Road, Soddy Daisy, TN 37379	120
Sub-Total:	490 (29.5%)
South of the Tennessee River (Chattanooga Market)	
Life Care Center of Collegedale 9210 Apison Pike, Collegedale, TN 37315	124
Life Care Center of East Ridge 1502 McDonald Road, East Ridge, TN 37412	108
Life Care Center of Ooltewah 5911 Snow Hill Road, Ooltewah, TN 37363	120
NHC Healthcare 2700 Parkwood Ave, Chattanooga, TN 37404	200
St. Barnabas at Siskin Hospital One Siskin Plaza, Chattanooga, TN 37403	108
The Health Center at Standifer Place 2626 Walker Road, Chattanooga, TN 37421	444
The Stratford House 8249 Standifer Gap Road, Chattanooga, TN 37421	127
Sub-Total:	1,231 (71.5%)
TOTAL HAMILTON COUNTY BEDS:	1,721

The chart below, which uses a calculation based on the 65 and over population in both the Chattanooga Market and the Hixson Market, shows the distribution of nursing home beds in these two sub-markets.

Hamilton County	Nursing Homes	Total beds	65+ Pop.	Bed Ratio
Chattanooga Market	7	1,231	34,498	3.57 Beds per 100 65+
Hixson Market	4	490	24,205	2.02 Beds per 100 65+
Hamilton County	11	1,721	58,703	2.93 Beds per 100 65+

As the calculation shows, there is a disproportionate distribution of nursing home beds in Hamilton County. While the county-wide bed ratio is 2.93 beds per 100 individuals age 65 and over, the bed ratio in the Hixson Market is only 2.02 beds per 100 individuals age 65 and over. If the Hixson Market were to operate at the countywide average it should offer a total of 709 nursing home beds:

$$24,205 \text{ 65+} \times 2.93\% = 709 \text{ Beds}$$

709 beds is 219 more beds than the Hixson Market currently operates. The disparity in beds between the two markets is not for lack of potential residents since the bed ratio measurement is based purely on the over 65 population in both markets.

	65+ Population (2017)	Distribution of Countywide 65+ Pop.	Distribution of Countywide SNF Beds
Chattanooga Market	34,498	58.8%	71.5%
Hixson Market	24,205	41.2%	28.5%
Hamilton County Total	58,703	100%	100%

SOURCE: E-site Analytics

NOTE: E-Site Analytics calculated the 65+ population on each side of the Tennessee River, using a Zip Code by Zip Code tally. While the countywide population totals do not mirror the estimates provided by The University of Tennessee Center for Business and Economic Research ("UTCBER"), the Applicant believes it is safe to assume that the population percentage breakdowns would be comparable if a similar analysis were provided by the UTCBER.

As the table above highlights, while the Hixson Market contains 41.2% of the county's 65+ population, it is home to only 28.5% of the county's SNF beds. Accordingly, the Hixson Market is under-bedded in relation to the Chattanooga Market and any additional beds in Hamilton County should be placed in the Hixson Market to best serve the needs of the public.

As demonstrated in the above charts, the Need Calculation set forth in **Attachment Section B - Need - A-1** and the Population Data Chart set forth in **Attachment Section B - Need - D-1-b**, the growth in the elder population in Hamilton County clearly supports the Applicant's proposed expansion.

- b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population - Current Year	Total Population - Projected Year	Total Population-% Change	*Target Population- Current Year	*Target Population- Project Year	*Target Population- % Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total Population
County A													
County B, etc.													
Service Area Total													
State of TN Total													

* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If

Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

See Attachment Section B - Need - D-1-b for above chart

- 2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE: The Hamilton County Service Area (and particularly the Hixson Market) continues to have a significant need for quality long-term care and other health care services. Although the existing Facility helps to meet the needs of Hamilton County, with the continuous population growth and the increasing need for nursing home services, the Applicant's existing bed capacity is not sufficient to meet existing and future need.

The Facility is and will continue to be open to all ethnic and racial groups. Of the four (4) nursing homes in the Hixson Market, the Facility maintains the highest Medicaid resident population. For year-to-date 2018, the Facility has averaged 67.4% residents with Medicaid as their primary payor and over the last 4 years, the Facility has maintained an average of 61.13%, which is somewhat higher than Life Care Center of Red Bank and significantly higher than both Alexian Village and Life Care Center of Hixson. **Attachment Section B Contribution to the Orderly Development of Health Care - B.**

In addition to the fact that the Hixson Market is disproportionately under-bedded in relation to Hamilton County overall, the Facility is located in a remote section of the market. The Facility's closest competitor is Life Care Center of Hixson (7.7 miles to the south). To the northeast the nearest nursing home is in Dayton (18 miles away), and to the northwest the nearest nursing home is in Dunlap (14 miles away). This means that the Facility is the most convenient choice for many seniors living in the rural areas to the north of Soddy Daisy. The addition of 14 beds, all in private rooms, will allow the Facility to better meet the needs of seniors in this under-served area.

- E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

RESPONSE: There are currently 10 other nursing homes in Hamilton County. Attached as **Attachment Section B - Need - E-1** is a chart that includes the occupancy rates for each of the 11 homes, including the Applicant's Nursing Home.

- F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: The following chart reflects the Applicant's average daily census by payor for the past three (3) years:

Applicant's Average Daily Census by Payor for 120-bed facility

(2015-Present)

Payor	2015	2016	2017	2018
Private Pay	16.83	17.07	14.63	10.87
Medicare	20.29	15.22	17.78	15.52
Managed Care	7.76	7.41	8.68	10.12
Medicaid	53.09	57.49	53.95	60.75
Hospice-Private	8.11	11.92	13.39	7.94
Hospice-Medicaid	-	-	-	-
Total Patients:	106.07	109.10	108.43	105.19
Census:	88.8%	91.3%	90.9%	87.7%

Source: Applicant (*Through April 30, 2018)

Applicant's Projected Average Daily Census by Payor for 134-bed facility
(2019-2021)

Payor	2019 (fill up year)	2020 (first full year)	2021 (second full year)
Private Pay	15.00	15.00	15.00
Medicare	25.00	25.00	25.00
Managed Care	10.00	10.00	10.00
Medicaid	65.00	65.00	65.00
Hospice-Private	10.00	10.00	10.00
Hospice-Medicaid	-	-	-
Total Patients:	125	125	125
Census:	93.3%	93.3%	93.3%

Source: Applicant

SECTION B: ECONOMIC FEASIBILITY

- A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
- 1) All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)
 - 2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
 - 3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - 4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.
 - 5) For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
 - a) A general description of the project;
 - b) An estimate of the cost to construct the project;
 - c) A description of the status of the site's suitability for the proposed project; and
 - d) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

RESPONSE: Please see Project Cost Chart and **Attachment Section B: Economic Feasibility - A-5.**

PROJECT COST CHART

A. Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	\$ <u>150,000.00</u>
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$ <u>30,000.00</u>
3.	Acquisition of Site	\$ <u>0.00</u>
4.	Preparation of Site	\$ <u>643,400.00</u>
5.	Construction Costs	\$ <u>3,258,353.00</u>
6.	Contingency Fund	\$ <u>0.00</u>
7.	Fixed Equipment (Not included in Construction Contract)	\$ <u>50,000.00</u>
8.	Moveable Equipment (List all equipment over \$50,000)	\$ <u>50,000.00</u>
9.	Other (Specify) <u>N/A</u>	\$ <u>0.00</u>
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive or building and land)	\$ <u>0.00</u>
2.	Building only	\$ <u>0.00</u>
3.	Land only	\$ <u>0.00</u>
4.	Equipment (Specify) _____	\$ <u>0.00</u>
5.	Other (Specify) _____	\$ <u>0.00</u>
C. Financing Costs and Fees:		
1.	Interim Financing	\$ <u>0.00</u>
2.	Underwriting Costs	\$ <u>0.00</u>
3.	Reserve for One Year's Debt Service	\$ <u>0.00</u>
4.	Other (Specify) <u>N/A</u>	\$ <u>0.00</u>
D.	Estimated Project Cost (A+B+C)	\$ <u>4,181,753.00</u>
E.	CON Filing Fee	\$ <u>24,045.01</u>
		(5.75 per \$1000 of project costs)
F.	Total Estimated Project Cost (D+E)	\$ <u>4,205,798.01</u>
	TOTAL	\$ <u>4,205,798.01</u>

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-B.)***

- ☐ 1) Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ 2) Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ 3) General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ 4) Grants – Notification of intent form for grant application or notice of grant award;
- ☐ 5) Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- ☒ 6) Other – Identify and document funding from all other sources.

The Owner of the Facility is funding the addition of the new wing (see Second Amendment to Master Sublease and Security Agreement in **Attachment Section A-6A)**

C. Complete Historical Data Charts on the following two pages—**Do not modify the Charts provided or submit Chart substitutions!**

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

HISTORICAL DATA CHART

X Total Facility
 □ Project Only

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	Year 2015	Year 2016	Year 2017
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	38,903	40,118	39,827
B. Revenue from Services to Patients			
1. Inpatient Services	14,046,942	14,112,370	15,395,979
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue (Specify) Vending, Beauty/Barber, Rebates	\$10,410	14,150	76,432
Gross Operating Revenue	\$14,057,352	\$14,126,520	\$15,472,411
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	4,100,904	3,892,232	4,653,571
2. Provision for Charity Care			79,093
3. Provisions for Bad Debt	71,231	9,760	109,420
Total Deductions	\$4,172,135	\$3,901,992	\$4,842,084
NET OPERATING REVENUE	\$9,885,217	\$10,224,528	\$10,630,327
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	2,340,369	2,497,549	2,659,492
b. Non-Patient Care	1,684,529	1,778,756	1,835,160
2. Physician's Salaries and Wages			
3. Supplies	1,051,943	1,036,857	1,064,711
4. Rent			
a. Paid to Affiliates			
b. Paid to Non-Affiliates	1,403,090	992,759	1,040,882
5. Management Fees:			
a. Paid to Affiliates	494,261	511,233	531,516
b. Paid to Non-Affiliates	0	0	0
6. Other Operating Expenses	3,014,922	3,038,936	3,249,748
Total Operating Expenses	\$9,989,114	\$9,856,090	\$10,381,509
E. Earnings Before Interest, Taxes and Depreciation	\$(103,897)	\$368,438	\$248,818
F. Non-Operating Expenses			
1. Taxes [see below in Other Expenses Categories because taxes are an operational expense]	\$0	\$0	\$0
2. Depreciation	44,635	49,939	69,416
3. Interest	32,401	30,133	39,041
4. Other Non-Operating Expenses	16,375	3,735	(41)
Total Non-Operating Expenses	\$93,411	\$83,807	\$108,416
NET INCOME (LOSS)	\$(197,308)	\$284,631	\$140,402
Chart Continues Onto Next Page			

	Year 2014	Year 2015	Year 2016
NET INCOME (LOSS)	\$(197,308)	\$284,631	\$140,402
G. Other Deductions			
1. Annual Principal Debt Repayment	0.00	1,655	14,340
2. Annual Capital Expenditure	24,641	136,027	104,709
Total Other Deductions	\$24,641	\$137,682	\$119,049
NET BALANCE	\$(221,949)	\$146,949	\$21,353
DEPRECIATION	\$44,635	\$49,939	\$69,416
FREE CASH FLOW (Net Balance + Depreciation)	\$(177,314)	\$196,888	\$90,769

X Total Facility
☐ Project Only

HISTORICAL DATA CHART-OTHER EXPENSES

	Year 2015	Year 2016	Year 2017
OTHER EXPENSES CATEGORIES			
1. Contract Therapy	\$1,228,690	\$1,093,224	\$1,256,391
2. Purchased Services/Professional Fees	304,175	354,100	405,127
3. Major Purchases	62,059	26,228	12,109
4. Utilities	218,496	233,325	220,965
5. Health and Related Insurance, Worker's Comp	295,949	221,389	256,578
6. Property and General Liability Insurances	150,217	249,302	209,152
7. Taxes and Licenses	525,624	581,241	591,877
8. Other Miscellaneous	229,712	280,127	297,549
Total Other Expenses	\$3,014,922	\$3,038,936	\$3,249,748

- D. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

PROJECTED DATA CHART

☒ Total Facility
☐ Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	46,355	46,355
B. Revenue from Services to Patients		
1. Inpatient Services	20,907,602	21,418,967
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify) <u>Vending, Beauty/Barber, Rebates</u>	9,290	9,290
Gross Operating Revenue	\$20,916,892	\$21,428,257
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	7,191,783	7,417,810
2. Provision for Charity Care		
3. Provisions for Bad Debt	67,253	68,651
Total Deductions	\$7,259,036	\$7,486,461
NET OPERATING REVENUE	\$13,657,856	\$13,941,796
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	3,265,893	3,271,378
b. Non-Patient Care	2,170,400	2,185,434
2. Physician's Salaries and Wages		
3. Supplies	1,362,592	1,376,158
4. Rent		
a. Paid to Affiliates		
b. Paid to Non-Affiliates	1,270,048	1,295,449
5. Management Fees:		
a. Paid to Affiliates	682,893	697,090
b. Paid to Non-Affiliates	0	0
6. Other Operating Expenses	3,927,423	4,003,860
Total Operating Expenses	\$12,679,249	\$12,829,369
E. Earnings Before Interest, Taxes and Depreciation	\$978,607	\$1,112,427
F. Non-Operating Expenses		
1. Taxes [see below in Other Expenses Categories because taxes are an operational expense]	0	0
2. Depreciation	84,895	84,895
3. Interest	37,888	37,888
4. Other Non-Operating Expenses	4,834	4,834
Total Non-Operating Expenses	\$127,617	\$127,617
NET INCOME (LOSS)	\$850,990	\$984,810
<i>Chart Continues Onto Next Page</i>		

	Year 1	Year 2
NET INCOME (LOSS)	\$850,990	\$984,810
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	\$25,485	\$25,065
2. Annual Capital Expenditure	67,000	67,000
Total Other Deductions	\$92,485	\$92,065
NET BALANCE	\$758,505	\$892,745
DEPRECIATION	\$84,895	\$84,895
FREE CASH FLOW (Net Balance + Depreciation)	\$843,400	\$977,640

☒ Total Facility
☐ Project Only

PROJECTED DATA CHART-OTHER EXPENSES

	Year 2019	Year 2020
OTHER EXPENSES CATEGORIES		
1. Contract Therapy	\$1,719,767	\$1,719,767
2. Purchased Services/ Professional Fees	401,888	392,764
3. Major Purchases	33,500	33,500
4. Utilities	259,687	295,535
5. Health and Related Insurance/ Worker's Comp	216,199	228,219
6. Property and General Liability Insurance	219,805	230,214
7. Taxes and Licenses	781,560	805,972
8. Other Miscellaneous	295,017	297,889
Total Other Expenses	\$3,924,423	\$4,003,860

PROJECTED DATA CHART

☐ Total Facility
☒ Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	5,842	5,842
B. Revenue from Services to Patients		
1. Inpatient Services	\$4,812,781	\$5,243,122
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify) Vending, Beauty/Barber, Rebates	1,171	1,171
Gross Operating Revenue	\$4,813,952	\$5,244,293
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$2,358,496	\$2,602,725
2. Provision for Charity Care		
3. Provisions for Bad Debt	12,032	12,944
Total Deductions	\$2,370,528	\$2,615,669
NET OPERATING REVENUE	\$2,443,424	\$2,628,624
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	432,982	433,711
b. Non-Patient Care	239,290	239,961
2. Physician's Salaries and Wages		
3. Supplies	250,638	259,738
4. Rent		
a. Paid to Affiliates		
b. Paid to Non-Affiliates	211,674	237,075
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates	122,171	131,431
6. Other Operating Expenses	790,580	842,338
Total Operating Expenses	\$2,047,335	\$2,144,254
E. Earnings Before Interest, Taxes and Depreciation	\$396,089	\$484,370
F. Non-Operating Expenses		
1. Taxes [see below in Other Expenses Categories because taxes are an operational expense]	0	0
2. Depreciation	11,280	11,280
3. Interest		
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	\$11,280	\$11,280
NET INCOME (LOSS)	\$384,809	\$473,090
Chart Continues Onto Next Page		

	Year 1	Year 2
NET INCOME (LOSS)	\$384,809	\$473,090
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment		
2. Annual Capital Expenditure	7,000	7,000
Total Other Deductions	\$7,000	\$7,000
NET BALANCE	\$377,809	\$466,090
DEPRECIATION	\$11,280	\$11,280
FREE CASH FLOW (Net Balance + Depreciation)	\$389,089	\$477,370

☐ Total Facility
☒ Project Only

PROJECTED DATA CHART-OTHER EXPENSES

	Year 1	Year 2
<u>OTHER EXPENSES CATEGORIES</u>		
1. Contract Therapy	\$584,366	\$584,365
2. Purchased Services/ Professional Fees	15,624	4,815
3. Major Purchases	21,500	21,500
4. Utilities	29,468	63,037
5. Health and Related Insurance/ Worker's Comp	4,800	13,351
6. Property and General Liability Insurance	1,857	1,985
7. Taxes and Licenses	104,068	122,597
8. Other Miscellaneous	28,897	30,688
Total Other Expenses	\$790,580	\$842,338

- E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year 1	Year 2	% Change (Current Year to Year 2)
Gross Charge (<i>Gross Operating Revenue / Utilization Data</i>)	352.12	388.49	451.23	462.26	19.0%
Deduction from Revenue (<i>Total Deductions/Utilization Data</i>)	97.26	121.58	156.60	161.50	32.8%
Average Net Charge (<i>Net Operating Revenue/Utilization Data</i>)	254.86	266.91	294.64	300.76	12.7%

- 2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

RESPONSE:

The proposed charges for the total project are reflected in the table above: Year 1 shows: \$451.23 in gross operating revenue per patient day; \$156.60 in contractual adjustments per patient day; and \$294.64 in net operating revenue per patient day. The implementation of this project, coupled with normal increases in costs, will increase the average net charge per patient day by approximately 12.7% in two years. This small increase is to be expected over a two year period of time.

- 3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: Below is a chart of the charges for facilities in the Service Area:

Applicant's Charges as Compared to Other Facilities in the Hixson Market							
	Medicare Skilled Care	Medicaid TennCare Level II	Medicaid TennCare Level I	Private Level II	Private Level I	Semi-Private Level II	Semi-Private Level I
Soddy Daisy	\$462	\$185.01	\$189	\$0	\$210	\$0	\$0
LCCA of Hixson	\$479	\$212	\$189	\$330	\$330	\$220	\$220
LCCA of Red Bank	\$464	\$160	\$189	\$315	\$315	\$210	\$210
Alexian Village	\$475	\$206	\$183	\$284	\$252	\$0	\$0
Applicant's Charges as Compared to Existing Facilities in the Chattanooga Market							
LCCA of Collegedale	\$489	\$155	\$183	\$242	\$242	\$239	\$239

LCCA of East Ridge	no info	no info	no info	no info	no info	no info	no info
LCCA of Ooltewah	\$513	\$0	\$0	\$355	\$355	\$240	\$240
NHC Healthcare	\$477	\$194	\$182	\$360	\$235	\$225	\$220
Woodland Terrace	\$210	\$210	\$210	\$233	\$233	\$210	\$210
The Health Center at Standifer Place	\$456	\$204	\$180	\$205	\$175	\$175	\$165
St. Barnabas at Siskin	\$739	\$0	\$202	\$0	\$0	\$0	\$202

Source: 2016 Joint Annual Reports; Medicare.gov Nursing Home Compare

- F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-F1**. **NOTE: Publicly held entities only need to reference their SEC filings.**

RESPONSE:

Since there is adequate need in the area and this application is for only 14 licensed beds, the Applicant anticipates the beds will be utilized within the first month after completion of construction. Therefore, there should not be a cash flow recovery period since current cash flow is expected to be sufficient to cover all fixed and variable costs associated with the project.

The Applicant's financial statements are attached in **Attachment Section B-Economic Feasibility-F1**.

- 2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	(1.05%)	3.60%	2.34%	7.17%	7.98%

- 3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt+Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

RESPONSE: The Capitalization Ratio of the Applicant as based on the December 31, 2017 financials is 31.4, calculated as follows: Long-Term Debt [\$701,159] / (Long-Term Debt [\$701,159] + Total Equity (Net assets) [\$1,531,657] x 100) = 31.4.

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

RESPONSE: The Applicant is seeking the addition of 14 dual certified beds; accordingly, all beds in the Facility will be certified for participation in the Medicaid/TennCare program.

The Applicant's Projected Payor Mix for the proposed 14-bed project for the first full year of operation is set forth below

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	13,490,423	65%
TennCare/Medicaid	5,689,637	27%
Commercial/Other Managed Care	--	--
Self-Pay	1,314,000	6%
Charity Care	--	--
Other (Specify) Hospice	413,542	2%
Total	20,907,602	100%

- H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

	Existing FTEs (2018)	Projected FTEs Year 1	Average Wage (Contract Rate)	Area Wide/Statewide Average Wage
A. Direct Patient Care Positions				
RN	6.7	5.2	26.00	26.88
LPN	20.7	23.6	12.00	18.50
CNA	39.1	53.5	12.00	11.98
Total Direct Patient Care Positions	69.4	83.3	16.21	15.51
B. Non-Patient Care Positions				
Activity Director	1.0	1.0	21.50	20.28
Activity Staff	2.1	3.0	14.85	12.85
Business Office Manager	0.8	1.0	26.25	24.46
Business Office Staff	2.3	2.9	11.33	12.33
Administrator	1.0	1.0	52.88	48.98
Medical Supply Staff	1.0	1.0	16.00	18.52
Dietary Director	1.0	1.0	24.51	20.85
Dietary Staff	10.0	11.4	10.03	9.82
Housekeeping Director	1.0	1.0	19.00	14.36
Housekeeping Staff	7.1	7.9	10.16	9.27
Human Resource Director	1.0	1.0	15.00	18.16
Laundry Staff	2.3	2.8	9.41	9.45
Admissions	0.25	1.5	13.00	12.33
Director of Marketing	1.0	1.0	39.23	45.32
Medical Records Staff	1.0	1.0	15.88	16.24
Asst. DON	1.3	1.0	34.75	32.33
Director of Nursing	1.3	1.0	45.67	39.36
MDS	1.7	4.0	30.50	25.71
QA	0.2	1.0	33.48	33.30
Scheduler	0.2	1.0	27.00	26.88
Maintenance Director	1.0	1.0	25.50	20.80
Maintenance Staff	1.1	2.0	12.00	10.87
Social Services Director	1.0	1.0	27.50	24.32
Social Services Staff	1.9	2.0	17.50	12.85
Total Non- Patient Care Positions	42.2	52.4	17.53	16.23
Total Employees (A+B)	108.61	135.7		
C. Contractual Staff	12.88	16.67		
Total Staff (A+B+C)	121.49	152.37		

I. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- 1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

RESPONSE: The Applicant has carefully considered its request to add additional beds to the Nursing Home, including obtaining feasibility and market studies. An alternative to the addition of beds does not exist. As evidenced by the current and future bed need and the letters of support included with this application, it is clear that there is a need in Hamilton County, particularly in the Hixson Market, for additional beds in general and for private rooms.

- 2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

RESPONSE: As discussed above, with the current census of the Nursing Home and its history of turning away residents, there are no feasible alternatives to additional beds.

SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

RESPONSE: The Applicant has agreements for health services with the following providers:

- Erlanger Health System (Downtown Chattanooga)
- Erlanger North Hospital (located in Red Bank) (13.6 miles from Facility)
- CHI Memorial
- CHI Memorial North (located in Hixson) (12.5 miles from Facility)
- Rhea County Hospital
- Parkridge
- Tennova of Cleveland

B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

RESPONSE:

The project will have a positive effect on the health care system as there is currently, and will continue to be, a large bed need in the Hixson Market.

The other three (3) nursing homes located in the Hixson Market have very different profiles from the Facility, and thus cannot be compared in terms of competing with the Facility as set forth below:

- Life Care Center of Hixson - This facility only accepts Medicaid as a supplemental benefit and therefor has historically maintained a lower occupancy. Further, 81% of residents (59 of 73 residents in 2016) are spending less than 100 days in this facility (see **Attachment Section B Need - E-1** and **Attachment Section B Contribution to the Orderly Development of Healthcare-B**).
- Alexian Village - This facility has 114 nursing home beds as part of a continuing care retirement community ("CCRC"). This CCRC also includes 304 independent living units and 61 assisted living beds. Accordingly, residents in the Hixson Market not already living at the CCRC and who are seeking either rehabilitation services or long-term care are not using Alexian Village as a solution. As set forth in the table included in the Existing Nursing Home Capacity Section above, Alexian Village has maintained occupancy close to 90% for the prior 3 reported years (86.6% in 2014, 87.4% in 2015 and 93.5% in 2016). Like Life Care of Hixson, a majority of Alexian's residents (86.8% in 2016) are spending less than 100 days in this facility (see **Attachment Section B Need - E-1** and **Attachment Section B Contribution to the Orderly Development of Healthcare-B**).
- Life Care Center of Red Bank - This Facility's ratings from Medicare.gov are significant lower than the Applicant's.

Facility	Overall Rating	Health Inspections	Staffing	Quality Measures	Total Stars
Soddy Daisy (Applicant)	****	****	***	**	13
LCCA Red Bank	*	*	***	***	8

- C. 1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

RESPONSE: The Applicant has experience in the Hamilton County area and, in fact, the support services company providing support to the Facility, Grace Healthcare, LLC, is based in Chattanooga in Hamilton County. The Applicant will add both clinical and administrative staff if the project is approved. Due to the fact that the Applicant and its affiliates have a long history of operating successful nursing homes in Hamilton County and surrounding areas and pay wages that are in-line with state medians, the Applicant does not foresee any difficulties in staffing the expanded Facility.

- 2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

RESPONSE: The Applicant has reviewed and understands all required licensing and certification requirements. The Facility has policies and procedures in place governing regulations concerning all aspects of the Facility's operations.

- 3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

RESPONSE:

The Applicant offers a free Certified Nursing Assistant (CNA) training which is open to the public and utilized by students of local high schools. The training program lasts 3 weeks, 5 days per week, 8 hours per day. Once a student has completed the free course, the Applicant will pay the \$300 fee for any student who completed the course to take the CNA test. The Applicant is passionate about finding and retaining the best health care professionals to ensure excellent care is provided to the residents.

Both Soddy Daisy High School students and Sequoya High School students have taken the CNA course and been hired by the Facility.

In addition to the CNA course, the Applicant offers multiple levels of clinical training at the Facility where students can gain knowledge and experience with caregiving tasks such as bathing, dressing, and feeding as well as medication administration, treatments, wound care, various therapies (physical, occupational, and speech) and dealing with dementia.

- D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Nursing Home License Number 369

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.): Medicare SNF

Accreditation (i.e., Joint Commission, CARF, etc.): N/A

- 1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

RESPONSE: The Applicant is currently in good standing with all licensing, certifying and accrediting agencies. Please see **Attachment Section B - Contribution to the Orderly Development of Health Care - D-1** for a copy of the current Nursing Home license and information from Medicare.gov.

- 2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

RESPONSE: The most recent survey results indicate that no clinical deficiencies were cited (See **Attachment Section B - Need - A-12**). In fact, the Facility has been free of clinical deficiencies for the last three (3) surveys

- 3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

RESPONSE: The Facility has had no inspection during the last three survey cycles that have resulted in any of the noted penalties or sanctions.

- a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

RESPONSE: Not applicable.

- E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

- 1) Has any of the following:

- a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);
 - b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or
 - c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.
- 2) Been subjected to any of the following:
- a) Final Order or Judgment in a state licensure action;
 - b) Criminal fines in cases involving a Federal or State health care offense;
 - c) Civil monetary penalties in cases involving a Federal or State health care offense;
 - d) Administrative monetary penalties in cases involving a Federal or State health care offense;
 - e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or
 - f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.
 - g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.
 - h) Is presently subject to a corporate integrity agreement.

RESPONSE: No.

F. Outstanding Projects:

- 1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

RESPONSE: Not applicable. Neither the Applicant nor its parent have any outstanding CON projects

Outstanding Projects					
CON Number	Project Name	Date Approved	*Annual Progress Report(s)		Expiration Date
			Due Date	Date Filed	

* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

- 2) Provide a brief description of the current progress, and status of each applicable outstanding CON.

G. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

- 1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? NO
- 2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission? N/A
- 3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission? N/A

SECTION B: QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

RESPONSE: If approved, the Applicant will provide the Tennessee Health Services and Development Agency, and any other state agency when required, with information concerning the continued need and appropriate quality measures.

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning>). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

- A. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

RESPONSE: The addition of 14 beds as proposed in this application satisfies this criterion. The purpose of the expansion project is to improve the health of Tennesseans by offering an additional 14 dually certified nursing beds to residents in Hamilton County in order to fill an existing need.

The expansion of the Facility by 14 beds, all of which will be in private rooms, will further the Applicant's ability to provide healthcare to a growing suburban population that is currently underserved.

- B. People in Tennessee should have access to health care and the conditions to achieve optimal health.

RESPONSE: The Applicant's proposed expansion will satisfy this criterion as well. As previously noted, in addition to the 14 beds requested by this application, the Applicant is adding a wing to the

Facility to accommodate more private rooms. Ultimately, if this application is approved, the Facility will have 30 private rooms. The Applicant's healthcare model targets patients that are both Medicaid and Medicare qualified beneficiaries seeking long-term care and skilled nursing and rehabilitation services. Moreover, the Applicant is addressing the cultural change of placing short-term residents in private rooms, not for the increased revenue from private pay, but, rather, to allow residents to stay in the area for post-acute care. Most specifically, the residents of the Hixson Market need an option that allows for both sub-acute short-term care as well as long-term care which is a problem due to the failure of other facilities in the Hixson Market to accept Medicaid residents.

- C. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

RESPONSE: The project proposed by the Applicant satisfies this criterion.

There is an unmet need for nursing care in the Service Area, and in particular in the Hixson Market. The unmet bed need in 2019 will be 906 beds in Hamilton County. By adding a wing to an existing nursing facility the Applicant is addressing the needs of the residents of Soddy Daisy and surrounding areas in the most economically efficient manner.

- D. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

RESPONSE: The Applicant has demonstrated its commitment to the highest quality of care since it began operating the Facility in 2007. The Applicant continually monitors care and meets the standards that Tennessee imposes on nursing homes. Through various sources, including the Medicare.gov website and the Nursing Home Compare data sets, consumers can compare and research long term care and subacute providers. The Applicant is dedicated to providing quality care to residents in the Service Area and CMS has recognized this high quality of care by awarding the Applicant's Nursing Home a 4-star rating. The Facility's most recent survey was deficiency-free.

- E. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

RESPONSE: The Applicant satisfies this criterion as the Facility is already a leading employer of a quality health workforce. The Applicant is committed to working with various educational institutions to encourage the development, recruitment, and retention of a sufficient and quality health workforce. The construction of an additional wing of private rooms and the addition of 14 beds to the Facility will serve to increase jobs in the fast-growing Soddy Daisy community. The Facility will continue to pay wages and offer benefits that are in-line with the prevailing rates of other employment opportunities in the community.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	<u>Days Required</u>	<u>Anticipated Date [Month/Year]</u>
1. Initial HSDA decision date		10/2018
2. Architectural and engineering contract signed	--	complete
3. Construction documents approved by the Tennessee Department of Health		complete
4. Construction contract signed		complete
5. Building permit secured		complete
6. Site preparation completed		complete
7. Building construction commenced		10/2017
8. Construction 40% complete		08/2018
9. Construction 80% complete		12/2018
10. Construction 100% complete (approved for occupancy)		02/2019
11. *Issuance of License		03/2019
12. *Issuance of Service		04/2019
13. Final Architectural Certification of Payment		02/2019
14. Final Project Report Form submitted (Form HR0055)		03/2019

*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

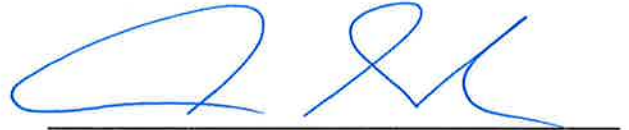
NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

AFFIDAVIT

STATE OF Tennessee

COUNTY OF Hamilton

Aaron Spinks, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.



SIGNATURE/TITLE

Sworn to and subscribed before me this 14th day of June, 2018 a Notary
(Month) (Year)

Public in and for the County/State of Hamilton County, Tennessee.


NOTARY PUBLIC

My commission expires May, 11, 2019
(Month/Day) (Year)

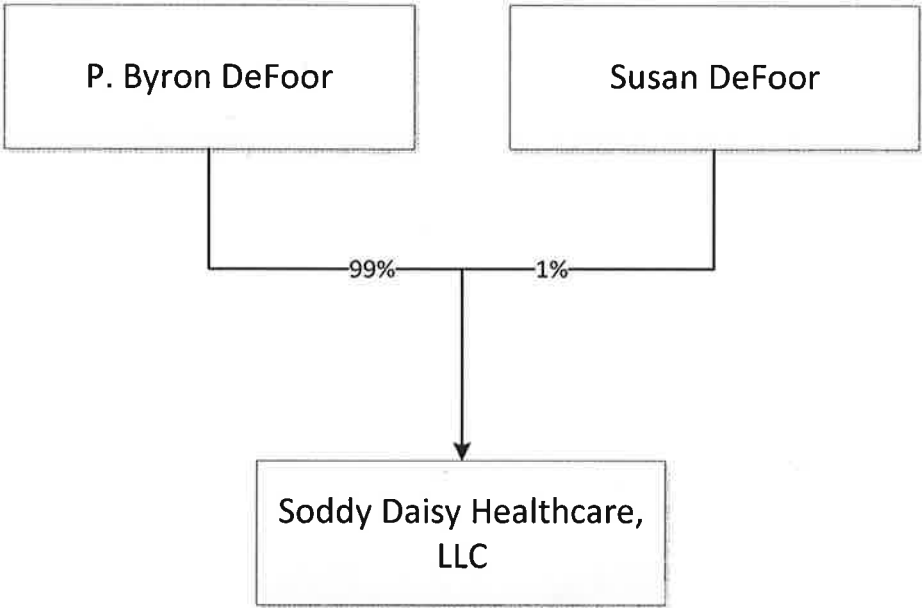


INDEX OF ATTACHMENTS

Attachment Section A-4A	Corporate Documents
Attachment Section A-5	Copy of Support Services Agreement
Attachment Section A-6A	Copy of Lease Documents
Attachment Section A-6B-1	Copy of Site's Plot Plan
Attachment Section A-6B-2	Copy of Floor Plan Drawing
Attachment Section A-6B-3	Accessibility
Attachment Section A-10	Change in bed allocations
Attachment Section B - Need - General	Letters of Support
Attachment Section B - Need - A-1	Need Calculation
Attachment Section B - Need - A-12	Evidence of Quality Care
Attachment Section B - Need - C	Service Area
Attachment Section B - Need - D-1-a	Map of Hixson Market and Chattanooga Market
Attachment Section B - Need - D-1-b	Population Data Chart
Attachment Section B - Need - E-1	Occupancy Rates for Service Area
Attachment Section B - Economic Feasibility - A-5	Documentation Supporting Construction Costs
Attachment Section B - Economic Feasibility - F1	Applicant's Financials
Attachment Section B - Contribution to the Orderly Development of Health Care - B	Comparison of Medicaid Resident Days
Attachment Section B - Contribution to the Orderly Development of Health Care - D-1	Copy of Nursing Home License
Proof of Publication	

Attachment Section A-4A

Organizational Chart and Corporate Documentation for
Soddy Daisy Healthcare, LLC, the Applicant





Tre Hargett
Secretary of State

Division of Business Services
Department of State

State of Tennessee
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, P.C.
633 CHESTNUT STREET, SUITE 1900
CHATTANOOGA, TN 37450

June 4, 2018

Request Type: Certificate of Existence/Authorization
Request #: 0278939

Issuance Date: 06/04/2018
Copies Requested: 1

Document Receipt

Receipt #: 004116263

Filing Fee: \$20.00

Payment-Credit Card - State Payment Center - CC #: 3732113863

\$20.00

Regarding: SODDY DAISY HEALTHCARE, LLC

Filing Type: Limited Liability Company - Domestic

Formation/Qualification Date: 06/29/2007

Status: Active

Duration Term: Perpetual

Business County: HAMILTON COUNTY

Control #: 552550

Date Formed: 06/29/2007

Formation Locale: TENNESSEE

Inactive Date:

CERTIFICATE OF EXISTENCE

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

SODDY DAISY HEALTHCARE, LLC

* is a Limited Liability Company duly formed under the law of this State with a date of incorporation and duration as given above;

* has paid all fees, interest, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;

* has filed the most recent annual report required with this office;

* has appointed a registered agent and registered office in this State;

* has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Tre Hargett
Secretary of State

Processed By: . Cert Web User

Verification #: 028143428

**AMENDED AND RESTATED OPERATING AGREEMENT
OF
SODDY DAISY HEALTHCARE, LLC**

THIS AMENDED AND RESTATED OPERATING AGREEMENT OF SODDY DAISY HEALTHCARE, LLC, a limited liability company organized pursuant to the Tennessee Revised Limited Liability Company Act, shall be effective as of May 1, 2018, by and among the Persons executing this Amended and Restated Operating Agreement as Members. This Amended and Restated Operating Agreement shall replace and supersede any prior Operating Agreement of the Company.

**ARTICLE I.
DEFINITIONS**

The following terms used in this Amended and Restated Operating Agreement shall have the following meanings unless otherwise expressly provided herein:

Section 1.1 “*Act*” means the Tennessee Revised Limited Liability Company Act, Tenn. Code Ann. § 48-249-101, *et seq.*, as amended from time to time, and any successor thereto.

Section 1.2 “*Affiliate*” means, with respect to any Person, (a) any Person directly or indirectly controlling, controlled by, or under common control with such Person, (b) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (c) any member, manager, officer, director or general partner of such Person, or (d) any Person who is a member, manager, officer, director, general partner, trustee, or a holder of ten percent (10%) or more of the voting interests of any Person described in clauses (a) through (c) of this sentence. For purposes of this definition, the term “controls,” “is controlled by,” or “is under common control with” means the possession, direct or indirect, of the power to direct or cause the direction of the management policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

Section 1.3 “*Articles*” means the Articles of Organization of the Company, as amended from time to time.

Section 1.4 “*Business Day*” shall mean any day other than Saturday, Sunday or any legal holiday observed in Tennessee.

Section 1.5 “*Capital Account*” means the account maintained with respect to a Member determined in accordance with Article VI.

Section 1.6 “*Capital Contribution*” means any contribution of Property or services or the obligation to contribute Property or services made by or on behalf of a Member.

Section 1.7 “*Code*” means the Internal Revenue Code of 1986, as amended, or any successor thereto.

Section 1.8 “*Company*” means Soddy Daisy Healthcare, LLC, a Tennessee limited liability company.

Section 1.9 “*Company Minimum Gain*” means an amount determined by first computing for each Company Nonrecourse Liability any gain the Company would realize if it Transferred the Company Property subject to that liability for no consideration other than full satisfaction of the liability, and then aggregating the separately computed gains. The amount of Company Minimum Gain includes such minimum gain arising from a conversion, refinancing, or other change to a debt instrument, only to the extent a Member is allocated a share of that minimum gain. For any Taxable Year, the net increase or decrease in Company Minimum Gain is determined by comparing the Company Minimum Gain on the last day of the immediately preceding Taxable Year with the Company Minimum Gain on the last day of the current Taxable Year. Notwithstanding any provision to the contrary contained herein, Company Minimum Gain, and increases and decreases in Company Minimum Gain, are intended to be computed in accordance with Section 704 of the Code and the Regulations issued thereunder, as the same may be issued and interpreted from time to time.

Section 1.10 “*Company Nonrecourse Liability*” means any debt or obligation of the Company to the extent that no Member or Related Person bears the economic risk of loss (as defined in Section 1.752-2 of the Regulations) with respect to the liability.

Section 1.11 “*Company Property*” means any Property owned by the Company.

Section 1.12 “*Distribution*” means a transfer of Property made by the Company to a Member on account of such Member’s Financial Rights as described in Article VII.

Section 1.13 “*Electronic Transmission*” has the meaning set forth in § 48-249-405(c)(2) of the Act. Except as otherwise provided in this Operating Agreement or the Act, any Notice, consent, action or approval required or permitted to be given may be transmitted by Electronic Transmission and shall be deemed to be written and signed for purposes of any requirement that such Notice, consent, action or approval be written and signed by the Persons or Entities required or permitted to deliver the same.

Section 1.14 “*Entity*” has the meaning set forth in § 48-249-102(9) of the Act.

Section 1.15 “*Financial Rights*” has the meaning set forth in § 48-249-102(11) of the Act. The Financial Rights shall be expressed as a percentage, with the initial percentages being set forth on Exhibit A attached hereto.

Section 1.16 “*Governance Rights*” has the meaning set forth in § 48-249-102(13) of the Act. The Governance Rights shall be expressed as a percentage, with the initial percentages being set forth on Exhibit A attached hereto.

Section 1.17 “*Initial Capital Contribution*” means the initial Capital Contribution agreed to be made by the Members as described in Section 6.1 and set forth on Exhibit A.

Section 1.18 “*Member*” means any Person holding Membership Interests.

Section 1.19 “Member Minimum Gain” means an amount determined by first computing for each Member Nonrecourse Liability any gain the Company would realize if it disposed of the Company Property subject to that liability for no consideration other than full satisfaction of the liability, and then aggregating the separately computed gains. The amount of Member Minimum Gain includes such minimum gain arising from a conversion, refinancing, or other change to a debt instrument, only to the extent a Member is allocated a share of that minimum gain. For any Taxable Year, the net increase or decrease in Member Minimum Gain is determined by comparing the Member Minimum Gain on the last day of the immediately preceding Taxable Year with the Member Minimum Gain on the last day of the current Taxable Year. Notwithstanding any provision to the contrary contained herein, Member Minimum Gain and increases and decreases in Member Minimum Gain are intended to be computed in accordance with Section 704 of the Code and the Regulations issued thereunder, as the same may be issued and interpreted from time to time.

Section 1.20 “Member Nonrecourse Deductions” means the net increase during the Taxable Year, if any, in Member Minimum Gain, reduced (but not below zero) by any distribution of proceeds that are attributable to a Member Nonrecourse Liability and allocable to an increase in such Member Minimum Gain under Section 1.704-2(i) of the Regulations.

Section 1.21 “Member Nonrecourse Liability” means any debt or obligation of the Company to the extent the liability is nonrecourse under state law, and on which a Member or Related Person bears the economic risk of loss under Section 1.752-2 of the Regulations because, for example, the Member or Related Person is the creditor or a guarantor.

Section 1.22 “Membership Interest” has the meaning set forth in § 48-249-102(22) of the Act.

Section 1.23 “Net Cash Receipts” means the gross cash proceeds from the operation of the Company’s business less the portion thereof designated by the Members as reserves for or to pay the Company’s expenses, debt payments and capital expenditures. “Net Cash Receipts” shall include any new cash proceeds from the disposition of Company Property and from the refinancing of indebtedness of the Company, shall be increased by any reduction of reserves previously established by the Members and shall not be reduced by depreciation, cost recovery, amortization or similar noncash deductions. Loans from Members shall only be included in Net Cash Receipts by affirmative vote of a majority of the Membership Interests.

Section 1.24 “Notice” means a written communication. Notice to the Company shall be considered given when mailed by first class mail postage prepaid addressed to any Officer in care of the Company at the address of the Principal Office, or, if given by Electronic Transmission, shall be considered given on the date and at the time of transmission thereof provided that there exists proof of the Company's receipt thereof. Notice to a Member shall be considered given when mailed by first class mail postage prepaid addressed to the Member at that Member’s address as reflected in the records of the Company unless the Member has given the Company a Notice of a different address or, if given by Electronic Transmission, shall be considered given on the date and at the time of transmission thereof, provided that there exists proof of the Member's receipt thereof. Notice shall also be considered given as provided in this Operating Agreement and in the Act.

Section 1.25 “*Officers*” means the officers of the Company.

Section 1.26 “*Operating Agreement*” means this Amended and Restated Operating Agreement including all amendments hereto adopted in accordance with the term hereof and the Act.

Section 1.27 “*Partnership Representative*” shall be, pursuant to Code Section 6223(A), the person designated in Section 8.2.

Section 1.28 “*Person*” shall include an individual or any Entity.

Section 1.29 “*Principal Office*” means the principal executive office of the Company designated in Section 2.3.

Section 1.30 “*Profits*” and “*Losses*” mean, for each fiscal year or other allocation period, an amount equal to the Company’s taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses hereunder shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or Losses hereunder shall be subtracted from such taxable income or loss;

(c) In the event the value of any Company asset is adjusted pursuant to the Code, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits or Losses;

(d) Gain or loss resulting from any disposition of a Company asset with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the fair market value of the asset disposed of, notwithstanding that the adjusted tax basis of such asset differs from its fair market value;

(e) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account depreciation for such fiscal year or other period computed in accordance with the definition of depreciation contained herein;

(f) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Sections 734(b) or 743(b) is required by Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member’s interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment

increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Profits or Losses; and

(g) Notwithstanding any other provision herein, any items, which are specially allocated pursuant to Sections 7.2, 7.3, 7.4 or 7.5 hereof, shall not be taken into account in computing Profits or Losses. The amount of the items of Company income, gain, loss or deduction available to be specially allocated pursuant to Sections 7.2, 7.3, 7.4 or 7.5 hereof shall be determined by applying rules analogous to those set forth in subparagraphs (a) through (g) of this Section.

Section 1.31 “Property” means any property, whether real, personal or mixed, tangible or intangible, including money and any legal or equitable interest in such property, but excluding services and promises to perform services in the future.

Section 1.32 “Regulations” means the permanent, temporary, proposed, or proposed and temporary regulations issued by the Department of the Treasury that are promulgated under the Code as amended.

Section 1.33 “Related Person” means a Person having a relationship to a Member that is described in Section 1.752-4(b) of the Regulations.

Section 1.34 “Securities Acts” means the Securities Act of 1933, the Tennessee securities laws or the securities laws of any other state.

Section 1.35 “Taxable Year” means the taxable year of the Company as determined pursuant to Section 706 of the Code.

Section 1.36 “Tax Distributions” has the meaning set forth in Section 7.8.

Section 1.37 “Taxing Jurisdiction” means the taxing jurisdiction of the Federal government and of any state, local, or foreign government that collects tax, interest or penalties, however designated, on any Member’s share of the income or gain attributable to the Company.

Section 1.38 “Transfer” means any sale, assignment, transfer, gift, devise, exchange, mortgage, pledge, grant, hypothecation, or other transfer, absolute or as security or encumbrance (including transfers by operation of law) and may be used as a noun or a verb.

ARTICLE II.

FORMATION AND BUSINESS OF COMPANY

Section 2.1 Organization. The Company, pursuant to the provisions of the Act, is a member-managed limited liability company. The Company shall be treated as a partnership for state and federal tax purposes.

Section 2.2 Registered Agent and Office. The registered agent for the service of process and the registered office shall be as reflected in the Articles. The Members may change the registered agent or office by authorizing appropriate filings with the Secretary of State. In

the event the registered agent ceases to act as such for any reason or the location of the registered office shall change, the Officers shall promptly designate a replacement registered agent or file a Notice of Change of Address as the case may be.

Section 2.3 Principal Office. The Principal Office of the Company is located at that location reflected in the Articles. The Company may locate its Principal Executive Office at any other place or places as the Members may from time to time deem advisable.

Section 2.4 Permitted Businesses. The business of the Company shall be to accomplish any lawful business whatsoever, and to exercise all powers necessary to or reasonably connected with the Company's business which may be legally exercised by limited liability companies under the Act or under the laws of any jurisdiction in which the Company may conduct its business.

Section 2.5 Information Regarding Members. Exhibit A contains the identity of all of the Members, their addresses for notice purposes, their initial Capital Contributions and their percentage Financial Rights and Governance Rights.

ARTICLE III. MEMBER MEETINGS

Section 3.1 Meetings. Neither regular nor special meetings of the Members shall be required in order to conduct the business and affairs of the Company or take any action with respect thereto; provided, however, that meetings of the Members may be called for any purpose or purposes using the procedures contained in this Article III by any Officer or Member.

Section 3.2 Place of Meetings. Member meetings shall be held at the Principal Office or at any other place, within or without the State of Tennessee, as the Members may from time to time elect.

Section 3.3 Notice Requirements. Notice of meetings shall be in writing, unless oral notice is reasonable under the circumstances, and if in writing may be communicated in person, by facsimile, electronic mail or other form of Electronic Transmission. The Notice must state the place, day and hour of the meeting and the purpose or purposes for which the meeting is called. Except as permitted by Section 3.7, Notice shall be given to each Member entitled to vote at the meeting. Written notice is effective at the earliest of the following: (a) when received or when delivered to the addressee's last known principal place of business or residence; (b) five (5) days after its deposit in the mail, as evidenced by the postmark, if mailed with first-class postage prepaid and correctly addressed to a Member at the address shown in the Company's current records; (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; or (d) if transmitted by Electronic Transmission, on the date and at the time of transmission thereof provided that there exists proof of the Member's receipt thereof. Oral Notice is effective when communicated if communicated in a comprehensible manner.

Section 3.4 Meetings by Any Form of Communication. Members may participate in meetings of the Members by means of conference telephone or other communications

equipment by means of which all Persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

Section 3.5 Quorum. Members holding a majority of the Membership Interests shall constitute a quorum at all meetings of the Members. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any of those present. A meeting may be adjourned despite the absence of a quorum.

Section 3.6 Voting. Whenever any Company action requires authorization by the Members, it shall be taken if authorized by Members holding a majority of the Membership Interests, except as otherwise specified in the Articles or this Operating Agreement.

Section 3.7 Action by Consent. The Members may take any action on which they are entitled to vote by written consent without prior notice and without a vote if a consent or consents in writing setting forth the action to be taken is signed by is signed by Members holding not less than the minimum percentage of Membership Interests as would be necessary to authorize or take such action at a meeting at which all Members entitled to vote were present and voted. A consent transmitted by Electronic Transmission by a Member (or by a Person authorized to act for such Member) shall be deemed to be written and signed for purposes of this subsection. Notice of the taking of action without a meeting by less than unanimous written consent of the Members shall be given to any Member entitled to vote thereon that did not sign such written consent; provided, however, that the failure to give such notice shall not affect the validity of the action taken.

Section 3.8 Proxies. Members who are entitled to vote may vote at any meeting either in person or by proxy in writing, which shall be filed with the Officers before being voted. Such proxy shall entitle the holders thereof to vote the Membership Interest of the Member granting the proxy at any meeting or any adjournment of such meeting, but shall be valid after the final adjournment thereof. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless the Member executing it shall have specified therein the length of time it is to continue in force, which shall be for some limited period, in which case, the period of time so specified shall govern expiration of such proxy.

Section 3.9 Authority; Powers and Duties of the Members. Except as otherwise provided in this Operating Agreement, oversight of the general business and affairs of the Company that is not otherwise delegated to one or more Officers, employees, or agents of the Company pursuant to the Act shall be vested in the Members, who shall be authorized to supervise the policies of the Company. Members, solely by virtue of their interests as Members in the Company, shall not be, or be deemed to be, agents of the Company and no Member shall have authority to bind the Company by his, her or its acts unless such Member is specifically granted written authority to act for the Company in a particular matter. Only Officers, acting at the direction of the Members, shall be agents of the Company.

ARTICLE IV.

OFFICERS

Section 4.1 Officers. The rights and powers of the Members to oversee the business and affairs of the Company are hereby delegated by the Members to the Officers, who shall have the titles and duties specified from time to time herein and in the Act. Any such Officer shall act pursuant to such delegated authority until such Officer is removed by the Members or as otherwise set forth in Section 4.3 below. Any action taken by an Officer designated by the Members pursuant to authority delegated to such Officer shall constitute the act of and serve to bind the Company. Persons dealing with the Company are entitled to rely conclusively on the power and authority of any Officer set forth in this Operating Agreement and any instrument designating such Officer and the authority delegated to him or her.

Section 4.2 Number. The Officers of the Company shall consist of a President and a Secretary, each of whom shall be appointed by the Members. The Members may create such other offices or positions and appoint officers to fill such other offices or positions, as the Members may deem necessary or desirable. Any two (2) or more offices may be held by the same Person. The Officers need not be Members or residents of the State of Tennessee.

Section 4.3 Term of Office. Each Officer shall hold office until his or her successor has been duly elected and qualified or until his or her death or until he or she resigns or has been removed in the manner hereinafter provided.

Section 4.4 Removal and Resignation. Officers serve at the pleasure of the Members, and the Members may remove any Officer at any time with or without cause. The Members also may eliminate any office or Officer position, other than that of the President, at any time. The removal of an Officer is without prejudice to the contractual rights of the Officer, if any. Any Officer may resign at any time and for any reason. In the event of a vacancy in any office because of death, resignation or removal, the Members shall elect a successor to such office.

Section 4.5 Duties.

(a) **President.** The President shall preside at all meetings of the Members at which he or she shall be present. The President shall perform all duties incident to the office of the president of a corporation, as delegated by this Operating Agreement and such other duties as, from time to time, may be assigned to him or her by the Members. The President shall see that all orders and resolutions of the Members are carried into effect. Any act of the President taken in the ordinary course of the Company's business shall constitute the act of and serve to bind the Company. The President shall sign and deliver in the name of the Company any deeds, mortgages, leases, bonds, contracts or other instruments pertaining to the business of the Company, except in cases in which the authority to sign and deliver is required by law to be exercised by another Person or is expressly delegated by this Operating Agreement or the Members. The President may, during the absence of any Officer, delegate said Officer's duties to any other Officer. In the event that the Company has a vacancy in the office of Secretary, any Notices, documents or other matters that otherwise are required to be provided to the Secretary

may be delivered to the President. The initial President shall be set forth in Exhibit B attached hereto.

(b) Vice Presidents. The Vice Presidents, if any, in order of their seniority or in any other order determined by the Members shall, in the absence or disability of the President, perform the duties and exercise the powers of the President and shall severally assist the President in the implementation of the orders and resolutions of the Members, and in the performance of such other duties as the President may from time to time prescribe. The duties of any assistant vice presidents shall be as set by the President.

(c) Secretary. The Secretary shall keep accurate membership records for the Company and maintain records of and, whenever necessary, certify all proceedings of the Members. The Secretary also shall receive Notices required to be sent to the Secretary and keep a record of such Notices in the records of the Company and shall perform such other duties as are prescribed by the Members or by the President. The Secretary shall keep in safe custody the certificate books and Member records and such other books and records as the Members may direct and shall perform all other duties incident to the office of Secretary. The initial Secretary shall be set forth in Exhibit B attached hereto.

(d) Assistant Secretaries. The Assistant Secretaries, if any, in order of their seniority or in any other order determined by the Members shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Members or the Secretary may from time to time prescribe.

(e) Treasurer. The Treasurer, if one, shall have the care and custody of the Company funds, and other valuable effects, including securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all monies and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Members. The Treasurer shall disburse the funds of the Company as may be ordered by the Members, taking proper vouchers for such disbursements, and shall render to the President and the Members whenever they may require it an account of all his transactions as Treasurer and shall provide financial reports of the Company. If required by the Members, the Treasurer shall give the Company a bond for such term, in such sum and with such surety or sureties as shall be satisfactory to the Members for the faithful performance of the duties of his office and for the restoration to the Company, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Company.

(f) Assistant Treasurers. The Assistant Treasurers, if any, in the order of their seniority or in any other order determined by the Members, shall in the absence or disability of the Treasurer, perform the duties and exercise the power of the Treasurer and shall perform such other duties as the Members or the Treasurer shall prescribe.

(g) Vacancy of any Office. If at any time there is no person designated for an Officer position, the duties of such position shall be carried out by the President.

Section 4.6 Delegation. An Officer may delegate some or all of the duties and powers of his office to other Persons.

Section 4.7 Compensation. Officers may be reimbursed their actual and reasonable expenses incurred by them for serving as Officers and each Officer shall be entitled to receive such salary or other compensation, if any, for serving as an Officer, as the Members shall determine.

ARTICLE V.

PROPERTY, ACCOUNTS AND RECORDS

Section 5.1 Property. Any and all Company Property shall be held in the name of the Company.

Section 5.2 Records and Accounts to be Maintained. The Company shall maintain the records and accounts of all operations and expenditures of the Company. The Company shall maintain at the Principal Office the records and financial information described in § 48-249-406 of the Act.

Section 5.3 Access to Books and Records. The records and financial information required to be maintained by the Company in Section 5.2, wherever situated, and any other books, records and information required by the Act to be made available to Members, are subject to inspection and copying upon five (5) days prior Notice from any Member, and at the expense of, any such Member or such Member's duly authorized representatives during the usual business hours of the Company.

Section 5.4 Reports to Members. The Company shall provide reports to the Members at such time and in such manner as the Members may determine reasonable or appropriate. The Company shall provide all Members with those information returns required by the Code and the laws of all applicable local and foreign states.

ARTICLE VI.

CONTRIBUTIONS AND CAPITAL ACCOUNTS

Section 6.1 Initial Capital Contributions. No interest shall accrue on any Initial Capital Contribution, and no Member shall have the right to withdraw or be repaid any Initial Capital Contribution except as provided in this Operating Agreement.

Section 6.2 Additional Capital Contributions. In addition to the Initial Capital Contributions, the Members may determine from time to time that additional contributions are needed to enable the Company to conduct its business. Upon making such a determination and upon the approval of a Supermajority (as defined in Section 9.6) of the Members, the Officers shall give Notice to all Members in writing at least ten (10) Business Days prior to the date on which such contribution is due. Such Notice shall set forth the amount of additional contribution needed, the purpose for which the contribution is needed, and the date by which the Members

should contribute. Each Member shall be entitled to contribute a share of such additional contribution in proportion to such Member's percentage Membership Interest; provided, however, that no Member shall be obligated to make any such additional contributions. In the event one or more Members do not make such additional contributions, the other Members shall be given the opportunity to make the contributions on behalf of the noncontributing Members on a pro rata basis among such Members or on such other basis as the Members shall agree to. The contributing Members' percentage Membership Interests shall be increased, and the noncontributing Members' Membership Interests shall be decreased, based on their relative total capital contributions to the Company. Notwithstanding anything herein to the contrary, this Operating Agreement shall not be construed as creating a deficit restoration obligation or otherwise personally obligating any Member to make a Capital Contribution in excess of the Initial Capital Contribution.

Section 6.3 Priority and Return of Capital. No Member shall have priority over any other Member, either as to the return of Capital Contributions or as to income, Losses or Distributions of the Company's assets. This Section 6.3 shall not apply to loans (as distinguished from Capital Contributions) that a Member has made to the Company.

Section 6.4 Maintenance of Capital Accounts. The Company shall establish and maintain Capital Accounts for each Member. Such Capital Accounts shall be maintained in accordance with Treasury Regulations 1.704-1(b)(iv).

Section 6.5 Distribution of Property. If the Company at any time distributes any of its Property to any Member, the Capital Account of each such Member shall be adjusted to account for the Member's allocable share (as determined under Article VII below) of the Profits or Losses that would have been realized by the Company had it sold the Property that was Distributed at its respective fair market value immediately prior to its Distribution.

Section 6.6 Transfer of Financial Rights. In the event of a Transfer of some or all of a Member's Financial Rights in the Company, the Capital Account of the Transferring Member shall become the Capital Account of the Member acquiring such Financial Rights, to the extent it relates to the portion of the Financial Rights Transferred.

Section 6.7 Compliance with Section 704(b) of the Code. The provisions of this Article VI as they relate to the maintenance of Capital Accounts are intended, and shall be construed, and, if necessary, modified, to cause the allocations of profits, losses, income, gain and credit pursuant to Article VII to have substantial economic effect under the Regulations promulgated under Section 704(b) of the Code, in light of the Distributions made pursuant to Article VII and the Capital Contributions made pursuant to this Article VI. Notwithstanding anything herein to the contrary, this Operating Agreement shall not be construed as creating a deficit restoration obligation or otherwise personally obligate any Member to make a Capital Contribution in excess of the Initial Capital Contribution made by that Member.

ARTICLE VII.
ALLOCATIONS AND DISTRIBUTIONS

Section 7.1 Allocations of Profits and Losses. Except as may be required by Section 704(c) of the Code, and Sections 7.2, 7.3, 7.4, and 7.5 of this Article VII, Profits, Losses, and other items of income, gain, loss, deduction and credit shall be apportioned among the Members in proportion to the Membership Interest of each Member.

Section 7.2 Allocations Between Transferor and Transferee. If a Member transfers any part or all of its Membership Interest or if an additional member is admitted pursuant to Section 9.3, the distributive shares of the various items of Profit and Loss allocable among the Members during such Taxable Year of the Company shall be allocated either (a) as if the Company's taxable year had ended on the date of the transfer or admission, or (b) based on the number of days of such taxable year before and after the transfer or admission without regard to the results of Company activities in the respective portions of such taxable year. The Partnership Representative, in its sole discretion, shall determine which method shall be used to allocate the distributive shares of the various items of Profits and Losses between the Members and any assignees.

Section 7.3 Company Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain for a Taxable Year, each Member must be allocated items of income and gain for that Taxable Year equal to that Member's share of the net decrease in Company Minimum Gain. A Member's share of the net decrease in Company Minimum Gain is the amount of the total net decrease multiplied by the Member's percentage share of the Company Minimum Gain at the end of the immediately preceding Taxable Year. A Member's share of any decrease in Company Minimum Gain resulting from a revaluation of Company Property equals the increase in the Member's Capital Account attributable to the revaluation to the extent the reduction in Company Minimum Gain is caused by the revaluation. A Member is not subject to this Company Minimum Gain chargeback requirement to the extent the Member's share of the net decrease in Company Minimum Gain is caused by a guarantee, refinancing, or other change in the debt instrument causing it to become partially or wholly a recourse liability or a Member Nonrecourse Liability, and the Member bears the economic risk of loss (within the meaning of Section 1.752-2 of the Regulations) for the newly guaranteed, refinanced, or otherwise changed liability.

Section 7.4 Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Taxable Year shall be allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Liability with respect to which such Member Nonrecourse Deductions are attributable in accordance with Section 1.704-2(b)(4) of the Regulations.

Section 7.5 Member Minimum Gain Chargeback. If during a Taxable Year there is a net decrease in Member Minimum Gain, any Member with a share of that Member Minimum Gain (as determined under Section 1.704-2(i)(5) of the Regulations) as of the beginning of that Taxable Year must be allocated items of income and gain for that Taxable Year (and, if necessary, for succeeding Taxable Years) equal to that Member's share of the net decrease in Member Minimum Gain. A Member's share of the net decrease in Member Minimum Gain is

determined in a manner consistent with the provisions of Section 1.704-2(g)(2) of the Regulations. A Member is not subject to this Member Minimum Gain chargeback, however, to the extent the net decrease in Member Minimum Gain arises because the liability ceases to be Member Nonrecourse Liability due to a conversion, refinancing, or other change in the debt instrument that causes it to become partially or wholly a Company Nonrecourse Liability. The amount that would otherwise be subject to the Member Minimum Gain chargeback is added to the Member's share of Company Minimum Gain. In addition, rules consistent with those applicable to Company Minimum Gain and Company Minimum Gain chargeback shall be applied to determine the shares of Member Minimum Gain and Member Minimum Gain chargeback to the extent provided under the Regulations issued pursuant to Section 704(b) of the Code.

Section 7.6 Qualified Income Offset. If a Member receives in any taxable year an adjustment, allocation, or distribution described in subparagraphs (4), (5), or (6) of Regulations Section 1.704-1(b)(2)(ii)(d) that causes or increases a negative balance in such Member's Capital Account that exceeds the sum of such Member's shares of Company Minimum Gain and Member Minimum Gain, as determined in accordance with Regulations Sections 1.704-2(g) and 1.704-2(i), such Member shall be allocated specially for such taxable year (and, if necessary, later taxable years) items of income and gain in an amount and manner sufficient to eliminate such negative Capital Account balance as quickly as possible as provided in Regulations Section 1.704-1(b)(2)(ii)(d). After the occurrence of an allocation of income or gain to a Member in accordance with this Section 7.6, to the extent permitted by Regulations Section 1.704-1(b), items of expense or loss shall be allocated to such Member in an amount necessary to offset the income or gain previously allocated to such Member under this Section 7.6.

Section 7.7 Capital Account Deficits. Loss shall not be allocated to a Member to the extent that such allocation would cause a deficit in such Member's Capital Account (after reduction to reflect the items described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6)) to exceed the sum of such Member's shares of Company Minimum Gain and Member Minimum Gain. Any Loss in excess of that limitation shall be allocated to the other Members. After the occurrence of an allocation of Loss to any other Member in accordance with this Section 7.7, to the extent permitted by Regulations Section 1.704-1(b), Profit shall be allocated to such other Member in an amount necessary to offset the Loss previously allocated to such other Member under this Section 7.7.

Section 7.8 Tax Distributions; Interim Distributions.

(a) If Net Cash Receipts are sufficient, the Officers will, prior to the due date of the Members' federal and state income tax payments for each calendar quarter, cause the Company to distribute but only from Net Cash Receipts cash in an amount sufficient for each Member (or each Member's constituents) to pay his or its actual or estimated tax payments resulting from his or its Membership Interest, which distributions will be made at such times and in such amounts so that, to the extent possible, the Members may avoid the imposition of any penalties ("**Tax Distributions**"). Such Tax Distributions pursuant to this Section shall be in amounts sufficient to allow such Members to make all income tax payments required to be made by such Members assuming such Members were

subject to the highest federal and state income tax rates then in effect for any Member, it being understood that with respect to the portion of the Company's earnings consisting of long term capital gains, the applicable highest rates shall be the long term capital gain rates.

(b) From time to time, the Members may elect to make interim Distributions to the Members from Net Cash Receipts in proportion to each Member's Financial Rights in the Company as of the date of such interim Distribution. An interim Distribution shall be in cash or Property (which need not be distributed proportionately) or partly in both. Tax Distributions must be made prior to any interim Distributions.

ARTICLE VIII.

TAXES

Section 8.1 Elections. The Members may make any tax elections for the Company allowed under the Code or the tax laws of any Taxing Jurisdiction.

Section 8.2 Partnership Representative.

(a) The initial "partnership representative" for the Company shall be indicated on Exhibit A attached hereto for purposes of Section 6223 of the Code (the "**Partnership Representative**"). The Partnership Representative may be removed and replaced by Members holding a majority of the Membership Interests at any time. The Partnership Representative is authorized to take such actions and execute and file all statements, forms, and elections on behalf of the Company which may be permitted or required under Subchapter C of Section 63 of the Code (relating to partnership audit proceedings) and in any tax proceedings brought by other taxing authorities and the Company and the Members will be bound by the actions of the Partnership Representative acting in such capacity.

(b) The Company shall indemnify and reimburse the Partnership Representative for all expenses (including legal and accounting fees) incurred as Partnership Representative in connection with any examination, any administrative or judicial proceeding, or otherwise. Notwithstanding anything to the contrary in this Agreement, each Member (including for purposes of this Section 8.2 any Person who is or becomes a Member but who for any reason ceases to be a Member) hereby agrees:

(i) to treat each item of income, gain, loss, deduction, or credit attributable to the Company in a manner consistent with the treatment of such income, gain, loss, deduction, or credit on the tax return of the Company or as determined in a notice of final partnership adjustment pursuant to Section 6226 of the Code and any applicable Regulations;

(ii) to indemnify and hold harmless the Company for such Member's share of any tax (including for purposes of this Section 8.2 any penalties, interest, and additions to tax) attributable to any adjustments to the income, gain, loss,

deduction, or credit of the Company pursuant to Section 6226 of the Code and any applicable Regulations; and

(iii) to take all other actions as the Partnership Representative may reasonably direct with respect to the Member's (or, in respect of the Member, the Company's) tax liabilities, including filing an amended return for any reviewed year (as defined in the Regulations) to account for all adjustments under Section 6225(a) of the Code properly allocable to the Member as provided in Section 6225(c) of the Code and any applicable Regulations.

Section 8.3 Taxes of Taxing Jurisdictions. To the extent that the laws of any Taxing Jurisdiction so require, each Member will submit an agreement indicating that the Member will make timely income tax payments to the Taxing Jurisdiction and that the Member accepts personal jurisdiction of the Taxing Jurisdiction with regard to the collection of income taxes attributable to the Member's income, and interest and penalties assessed on such income. If the Member fails to provide such agreement, the Company may withhold and pay over to such Taxing Jurisdiction the amount of tax, penalties and interest determined under the laws of the Taxing Jurisdiction with respect to such income. Any such payments with respect to the income of a Member shall be treated as a Distribution for purposes of Article X. The Members may, where permitted by the rules of any Taxing Jurisdiction, file a composite, combined or aggregate tax return reflecting the income of the Company and pay the tax, interest and penalties of some or all of the Members on such income to the Taxing Jurisdiction, in which case the Company shall inform the Members of the amount of such tax, penalties and interest so paid.

Section 8.4 Method of Accounting. The records of the Company shall be maintained on such method of accounting as is determined by the Members. It is intended that the Company will elect those accounting methods permitted under applicable law which provide the Company with the greatest tax benefits.

ARTICLE IX.

TRANSFER AND TERMINATION OF MEMBERSHIP INTERESTS

Section 9.1 Limitations on Transfer of Membership Interests. A Member may not Transfer any or all of his Membership Interest or any portion thereof except as allowed by this Operating Agreement. Any attempt to Transfer a Membership Interest or any portion thereof that does not comply with the terms and conditions of this Operating Agreement shall be void and ineffective.

Section 9.2 Conditions to Transfer of Membership Interests. As a condition to any Transfer of Membership Interests by a Member permitted hereunder:

(a) prior to the Transfer, the Company must have received, unless waived by the other Members, an opinion of counsel satisfactory to the Members that such Transfer is subject to an effective registration under, or exempt from the registration requirements of, the applicable state and federal securities laws and such Transfer, alone or when

combined with other transactions, would not result in a termination of the Company within the meaning of Section 708 of the Code;

(b) prior to the Transfer, the Company must have received from the transferee the information and agreements that the other Members may reasonably require, including, but not limited to, any taxpayer identification number and any agreement that may be required by the Taxing Jurisdiction and an agreement whereby the transferee acknowledges that it will be bound by the terms and conditions of this Operating Agreement; and

(c) the requirements of this Operating Agreement must have been complied with by the parties to the Transfer and the Company.

Section 9.3 Admission of Additional Members. Persons may be admitted as additional Members upon the approval of a Supermajority (as that term is defined in Section 9.6) of the Members. Any additional Member shall execute and become bound by all of the provisions of this Operating Agreement, as amended to reflect the additional Member. No such additional Member shall be entitled to any retroactive allocation of income, gain, loss, deduction or credit by the Company. The Members may at the time the additional Member is admitted, close the Company's books (as though the Company's Taxable Year had ended) or make pro rata allocations of income, gain, loss, deduction or credit to the additional Member for that portion of the Company's Taxable Year in which the additional Member was admitted in accordance with the provisions of Section 706(d) of the Code and the Regulations.

Section 9.4 Amendment of Operating Agreement upon a Transfer. Upon any Transfers of all or any portions of Membership Interests or the admission of an additional Member, the Officers are hereby authorized to substitute a revised Exhibit A to this Operating Agreement to reflect the changes in ownership of Membership Interests.

Section 9.5 Waiver of Termination Rights. The following provisions of the Act are hereby waived and shall not be applicable: §§ 48-249-503(a)(1), (a)(3), (a)(5), (a)(7), (a)(8), (a)(9), (a)(10), (a)(11), (a)(12), (b)(1) and (b)(2). No Member shall have the power or right to terminate such Member's Membership Interest, by withdrawal or otherwise, except as set forth in this Operating Agreement, and any termination of a Membership Interest in violation of this Operating Agreement shall be void and of no effect. Any termination of a Membership Interest permitted by this Operating Agreement shall only have the effect set forth herein and shall not have the effect set forth in § 48-249-505 of the Act, which is hereby waived and shall not be applicable. In addition, § 48-249-504 of the Act is hereby waived and shall not be applicable.

ARTICLE X.

DISSOLUTION AND WINDING UP

Section 10.1 Term, Dissolution and Termination. The Company shall be dissolved, its affairs wound up and its existence terminated as set forth in § 48-249-601, *et seq.* of the Act; provided, however, that: (a) dissolution by the Members shall require approval of Members holding at least a majority of the Membership Interests; and (b) the Company shall be dissolved and its affairs wound up upon the sale or other disposition (excluding a collateral assignment) of

substantially all of the Company Property unless Members holding at least a majority of the Membership Interests affirmatively vote to amend this Operating Agreement in order to continue the existence of the Company.

Section 10.2 Deficit Capital Accounts. Notwithstanding anything in this Operating Agreement to the contrary and notwithstanding any custom or rule or law to the contrary, the deficit, if any, in the Capital Account of any Member upon the dissolution of the Company shall not be an asset of the Company, and such Member shall not be obligated to contribute such amount to the Company to bring the balance of such Member's Capital Account to zero.

ARTICLE XI.

REPRESENTATIONS OF MEMBERS

Section 11.1 In General. As of the date hereof, each Member hereby makes each of the representations and warranties applicable to such Member as set forth in this Article XI, and such representations and warranties shall survive the execution of this Operating Agreement. Said representations and warranties shall also be made by and shall be binding upon all Persons receiving Membership Interests at any time after the date hereof as of each such Person receives his, her or its Membership Interests.

Section 11.2 Investment in Company.

- (a) Member Acknowledgements. The Members acknowledge that:
- (i) the Membership Interests evidenced by this Operating Agreement have not been registered under the Securities Acts because the Company is issuing these Membership Interests in reliance upon the exemptions from the registrations requirements of the Securities Acts providing for issuance of securities not involving a public offering;
 - (ii) the Company has relied upon the fact that the Membership Interests are to be held by such Member for investment;
 - (iii) exemption from registrations under the Securities Acts would not be available if the Membership Interests were acquired by such Member with a view to distribution;
 - (iv) the Company is under no obligation to register such Member's Membership Interest or to assist such Member in complying with any exemption from registration under the Securities Acts if such Member should at a later date wish to Transfer the Membership Interest; and
 - (v) each Membership Interest is unlikely to qualify for Transfer under Rule 144 of the Securities and Exchange Commission unless such Member is not an "Affiliate" of the Company and the Membership Interest has been beneficially owned and fully paid for by such Member for at least three (3) years.

- (b) Member Investment Representations and Agreements. Each Member:

(i) represents and warrants to the Company that such Member is acquiring the Membership Interest for such Member's own account for investment and not with a view to the resale or distribution thereof.

(ii) agrees not to sell or offer for sale any of portion of such Member's Membership Interest unless there is an effective registration or other qualification relating thereto under the Securities Act of 1933 and under any applicable state securities laws or unless the holder of such Membership Interest delivers to the Company an opinion of counsel, satisfactory to the Company, that such registration or other qualification under such Act and applicable state securities laws is not required in connection with such Transfer, offer or sale.

(iii) represents and warrants that such Member has made an investigation of the Company and its business and has had made available to each such Member all information with respect thereto which such Member needed to make an informed decision to acquire the Membership Interest.

(iv) considers himself, herself or itself to be a Person possessing experience and sophistication as an investor which are adequate for the evaluation of the merits and risks of such Member's investment in the Membership Interest.

ARTICLE XII.

CONFIDENTIALITY AND CONFLICTS OF INTEREST

Section 12.1 Disclosure of Confidential Information. Each Member covenants not to divulge or use any confidential information of the Company except for the Company's benefit.

Section 12.2 Other Activities of Members. Each Member may have other business interests and may engage in other activities in addition to those relating to the Company, whether such interest or activities are competitive with the Company or otherwise. Neither the Company nor any Member shall have any right, by virtue of this Operating Agreement, to share or participate in such other investments or activities of any other Member or to the income or proceeds derived therefrom and no Member shall incur any liability to the Company or to any of the other Members as a result of engaging in any other business or venture.

Section 12.3 Conflicts of Interest. No Member or Officer violates a duty or obligation to the Company merely because the conduct furthers his or her own interest. Any Member or Officer may lend money to and transact other business with the Company or its Affiliates. The rights and obligations of a Member or Officer who lends money to or transacts business with the Company are the same as those of a Person who is not a Member or Officer, subject to other applicable law. No transaction with the Company shall be voidable solely because a Member or Officer has a direct or indirect interest in the transaction if the disinterested Members knowing the material facts of the transaction and the Members or Officer's interest therein, authorize, approve or ratify the transaction.

ARTICLE XIII.
INDEMNIFICATION OF THE MEMBERS

Section 13.1 Indemnification of the Members. The Company shall indemnify and hold harmless, and advance expenses to its Members, Officers or any other “responsible person” (as defined in the Act) of the Company from and against, and in connection with, all claims and demands whatsoever relating to any “proceeding” (as defined in the Act) to the extent now or hereafter permitted under the Act. Claims for indemnification shall be presented and approved in the manner provided by the Act.

Section 13.2 Prepayment of Expenses. The Company may, in its discretion, pay the expenses (including attorneys’ fees) incurred by any Member or Officer in defending any such proceeding in advance of its final disposition, provided that such advance payment shall be made only upon receipt of an undertaking, by or on behalf of such Member or Officer, to repay all amounts so advanced if it shall ultimately be determined that such Member or Officer is entitled to be indemnified under this Article XIII or otherwise.

Section 13.3 Non-exclusivity of Rights. The rights conferred on any Person by this Article XIII shall not be exclusive of any other rights which such Person may have or hereafter acquire under any statute, the Articles, this Operating Agreement or any other agreement, by the Members or Officers or otherwise.

Section 13.4 Insurance. The Company may maintain insurance, at its expense, to protect itself and the Members or any agent of the Company against any such expense, liability or loss, whether or not the Company would have the power to indemnify such Person against expense, liability or loss under applicable law.

ARTICLE XIV.
MISCELLANEOUS PROVISIONS

Section 14.1 Amendment or Modification of Operating Agreement. This Operating Agreement may be amended or modified from time to time only by a written instrument adopted by the Members holding more than ten percent (10%) of the Governance Rights.

Section 14.2 Entire Agreement. This Operating Agreement constitutes the entire agreement among the parties. No party shall be bound by any terms, conditions, statements or representations, oral or written, not herein contained. Each party hereby acknowledges that in executing this Operating Agreement, such party has not been induced, persuaded or motivated by any promise or representation made by any other party, unless expressly set forth herein. All previous negotiations, statements and preliminary instruments by the parties or their representatives are merged in this Operating Agreement.

Section 14.3 Rights of Creditors and Third Parties. This Operating Agreement is entered into by and among the Members for the exclusive benefit of the Company, its Members, and their successors and assignees. This Operating Agreement is expressly not intended for the benefit of any creditor of the Company or any other Person. Except and only to the extent provided by the Act or other applicable statute, no such creditor or third party shall have any

rights under this Operating Agreement or any agreement between the Company and any Member with respect to any Capital Contribution or otherwise.

Section 14.4 Interpretation. For and in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Members executing this Operating Agreement hereby agree to the terms and conditions contained herein, as it may from time to time be amended according to its terms. It is the express intention of the Members that this Operating Agreement and the Articles shall be the sole source of agreement of the parties, and, except to the extent a provision of the Operating Agreement expressly incorporates federal income tax rules by reference to sections of the Code or Regulations or is expressly prohibited or ineffective under the Act, the Operating Agreement shall govern, even when inconsistent with, or different than, the provisions of the Act or any other law or rule. To the extent any provision of this Operating Agreement is prohibited or ineffective under the Act, the Operating Agreement shall be considered amended to the smallest degree possible in order to make this Operating Agreement effective under the Act. In the event the Act is subsequently amended or interpreted in such a way to make any provision of this Operating Agreement that was formerly invalid valid, such provision shall be considered to be valid from the effective date of such interpretation or amendment.

Section 14.5 Governing Law. This Operating Agreement, and the application or interpretation hereof, shall be governed exclusively by its terms and by the laws of the State of Tennessee, and specifically the Act, applied without respect to any conflicts-of-law principles.

Section 14.6 Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

Section 14.7 Construction of Terms. Whenever used in this Operating Agreement and when required by the context, the singular number shall include the plural and the plural the singular. Pronouns of one gender shall include all genders.

Section 14.8 Captions. The captions as to contents of particular articles, sections or paragraphs contained in this Operating Agreement and the table of contents hereto are inserted for convenience and are in no way to be construed as part of this Operating Agreement or as a limitation on the scope of the particular articles, sections or paragraphs to which they refer.

Section 14.9 Waivers. The failure of any party to seek redress for violation of or to insist upon the strict performance of any provision, covenant, condition or other agreement of this Operating Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

Section 14.10 Rights and Remedies Cumulative. The rights and remedies provided by this Operating Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

Section 14.11 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successors and assigns.

Section 14.12 Counterparts. This Operating Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

Section 14.13 Fiscal Year. The fiscal year of the Company shall be determined by the Members in accordance with applicable law.

[continued on following page]

IN WITNESS WHEREOF, the parties hereto have executed this Operating Agreement to be effective as of the day and date first set forth above.

MEMBERS:

P. Byron DeFoor

Susan DeFoor

**EXHIBIT A
TO
OPERATING AGREEMENT**

<u>Name of Member</u>	<u>Description of Initial Capital Contribution</u>	<u>Percentage Financial Rights</u>	<u>Percentage Governance Rights</u>
P. Byron DeFoor* 801 Broad Street Suite 200 Chattanooga, TN 37402	\$99.00	99%	99%
Susan DeFoor 801 Broad Street Suite 200 Chattanooga, TN 37402	\$1.00	1%	1%
TOTAL	\$100.00	100%	100%

*Partnership Representative

**EXHIBIT B
TO
OPERATING AGREEMENT**

Initial Officers

Office	Officer
President	Craig Taylor
Secretary	Ember Souchet

Attachment Section A-5

Copy of Support Services Agreement with Grace Healthcare, LLC

Grace Healthcare, LLC Experience

Grace Healthcare, LLC is a privately owned organization that supports skilled nursing, assisted living and rehabilitation facilities across the United States.

Grace Healthcare has provided support services to the Applicant since 2007.

SUPPORT SERVICES AGREEMENT

This SUPPORT SERVICES AGREEMENT ("**Agreement**") is made and entered into as of May 1, 2018 by and between **SODDY DAISY HEALTHCARE, LLC d/b/a Soddy Daisy Health Care Center** a Tennessee limited liability company ("**Operator**") and **GRACE HEALTHCARE, LLC**, a Tennessee limited liability company d/b/a Grace Healthcare Support Services ("**Support Company**").

WITNESSETH:

WHEREAS, Operator holds or intends to obtain a license and all other permits and approvals necessary to operate that certain nursing care facility known as SODDY DAISY HEALTHCARE, LLC d/b/a Soddy Daisy Health Care Center located at 701 Sequoyah Road, Soddy Daisy, TN 37379 (the "**Project**"); and

WHEREAS, Support Company is engaged in the business of providing administrative support and consulting services to senior living facilities; and

WHEREAS, Operator desires to have Support Company provide administrative and consulting services for the Project, as an independent contractor, and Support Company is willing to provide such services pursuant to the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained and for other good and valuable considerations, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

When used in this Agreement, the following words or terms shall have the following definitions:

1.1 "Approved Budget" shall have the meaning given in Section 3.1.

1.2 "Basic Services" shall have the meaning given in Section 4.1.

1.3 "Budget" means a forecast of Project Revenues and Project Expenses, including a budget for capital expenditures to be made relative to the Project pursuant to this Agreement for the Fiscal Year to which such Budget relates.

1.4 "Business Day" means a day other than a Saturday, a Sunday or a day designated as a holiday by the United States Congress at 5 U.S.C.A. § 6103.

- 1.5 “Commencement Date” shall have the meaning given in Section 8.1.
- 1.6 “Emergency Services” shall have the meaning given in Section 4.3.
- 1.7 “Existing Uses” shall mean all present uses of the Project, including use as a seniors housing and care facility and all ancillary services in connection therewith.
- 1.8 “Extraordinary Services” shall have the meaning given in Section 4.2.
- 1.9 “Fees” shall mean the fees payable by Operator to Support Company in consideration of Support Company’s services hereunder. The calculation for determining the Fees is set forth on Exhibit A attached hereto and incorporated herein by this reference.
- 1.10 “Fiscal Year” means a year, commencing January 1, and ending December 31, except that the first Fiscal Year shall be that period commencing on the Commencement Date and ending on the next succeeding December 31.
- 1.11 “Improvements” means the facility described herein and all other structural improvements situated on the Land.
- 1.12 “Interest Rate” means the rate of interest equal to the lesser of (i) the maximum rate of interest not prohibited by applicable law; or (ii) from time to time that per annum rate of interest equal to two and one-half percent (2.5%) per annum more than the then current prime rate as published by The Wall Street Journal in its most recent edition.
- 1.13 “Land” means the tract of land upon which the Project is located.
- 1.14 “Operator” shall have the meaning given in the recitals.
- 1.15 “Operator Affiliate” means (i) any person, firm, corporation, limited liability company or other entity which controls, is controlled by, or is under common control with Operator, directly or indirectly; or (ii) any partnership, venture, trust, limited liability company or other entity in which Operator is a general partner, a managing general partner, a managing venturer, trustee, or otherwise holds a management position; or (iii) any successor of Operator by change of name, merger, acquisition, consolidation, dissolution and distribution of assets, bulk transfer of assets, or similar reorganizational action.
- 1.16 “Payments to Support Company” means the Fees described in Section 7.1 and as described on Exhibit A attached hereto, together with any other sums due to Support Company hereunder.
- 1.17 “Project” shall have the meaning given in the recitals and shall include the Land and the Improvements.
- 1.18 “Project Expenses” means all expenses, costs, and charges of every kind and nature incurred in connection with the Project for or in respect of a Fiscal Year (including, without limitation, Project Operating Expenses, expenses incurred in connection with the compliance by Operator or the Project with all state and federal laws and regulations and those

expenses, costs, and charges incurred in the performance of Extraordinary Services and any Emergency Services).

1.19 "Project Operating Expenses" means all expenses, costs, and charges (including capital outlays) incurred in connection with the operation and maintenance of the Project for or in respect of a Fiscal Year.

1.20 "Project Revenues" means, collectively, with respect to a specific period of time, the revenues derived from all sources in connection with the Project during such period of time (including without limitation, income from monthly occupancy fees, ancillary fees, meals for residents, move-in fees and care level fees); provided, however, that Project Revenues shall not include or mean (i) interest or investment income of Operator, (ii) capital contributions of Operator, (iii) insurance proceeds (provided however, business interruption insurance proceeds shall be included in "Project Revenues"), (iv) tax refunds, (v) condemnation proceeds or awards, (vi) any gain or loss on the sale of an asset not in the ordinary course of business, and (vii) any gift, grant, bequest, contribution or donation, and any income or profits therefrom, or (viii) amounts collected from any Residents as trust funds or security deposits, if any, except to the extent those security deposits are actually applied against the payments owed to the Project.

1.21 "Residents" means the residents or patients of the Project.

1.22 "Salaries and Benefits" means salary, wages, bonuses, and other direct compensation, group life, accident, disability, medical and health insurance, pension plans, social security payments, payroll and other employee taxes, workers' compensation insurance payments, employer's contribution to F.I.C.A., unemployment compensation, and similar so-called fringe benefits.

1.23 "Service Contracts" shall have the meaning given in Section 4.1(e).

1.24 "Subcontracts" and "Subcontractors" shall have the meaning given in Section 2.5.

1.25 "Subcontractor Default" shall have the meaning given in Section 2.5.

1.26 "Support Company" shall have the meaning given in the recitals.

1.27 "Support Company Affiliate" means (i) any person, firm, corporation, limited liability company, or other entity which controls, is controlled by, or is under common control with Support Company, directly or indirectly; or (ii) any partnership, venture, trust, limited liability company or other entity in which Support Company is a general partner, a managing general partner, a managing venturer, trustee, or otherwise holds a management position; or (iii) any successor of Support Company by change of name, merger, acquisition, consolidation, dissolution and distribution of assets, bulk transfer of assets, or similar reorganizational action.

When used in this Agreement, the words and terms for which definitions are specified in the introductory paragraph of this Agreement and in the further Articles of this Agreement shall have the definitions respectively therein ascribed to them.

ARTICLE II

RELATIONSHIP OF PARTIES

2.1 Support Services and Consulting by Support Company. Support Company agrees to provide to Operator the administrative support, consulting and advisory services described herein in connection with the Operator's operation of the Project, upon the terms and conditions set forth in this Agreement.

2.2 Relationship. Subject to the terms hereof, all actions by Support Company in performing its duties and providing services pursuant to this Agreement shall be on behalf of Operator as Operator's independent contractor. Operator agrees to indemnify, defend and hold Support Company harmless from and against any loss, cost, expense, liability, deficiency, fine, or claim of any kind or nature whatsoever arising from or in connection with the Project (including, without limitation, any losses due to regulatory or civil fines or penalties, reasonable attorneys' fees and other costs and expenses incident to any investigation, claim or proceeding), the acts or omissions of Operator's employees or contractors, or Support Company's performance of its duties and obligations under this Agreement, excluding any illegal acts, gross negligence in the performance of its duties under this Agreement, or willful misconduct on the part of Support Company.

2.3 Control Retained by Operator; Operator is "Provider". Notwithstanding anything herein to the contrary, although Support Company, as part of Support Company's services pursuant to this Agreement, will make recommendations to Operator concerning the Project, Operator has and shall at all times retain under this Agreement the ultimate authority and responsibility for the operational decisions at the Project in addition to retaining and exercising control over the assets of the Project, and Support Company shall perform the functions described in this Agreement to be performed by it in accordance with policies and directives approved by Operator. Operator shall be the holder of all licenses, permits and contracts obtained with respect to the Project, and shall be the "provider" within the meaning of all third-party contracts for the Project. Specifically, and without limitation, Operator also shall hold the Medicare and Medicaid provider numbers and provider agreements. This Agreement shall not constitute an assignment (automatic or otherwise) by Operator to Support Company of the licenses, permits, contracts, certifications or provider agreements with respect to the Project. Without limiting the foregoing, and notwithstanding anything to the contrary contained in this Agreement, Operator shall at all times retain the right to approve the Budget for the Project and all capital expenditures with respect to the Project (as provided in ARTICLE III), each disposition of property constituting a part of the Project, rates charged for the use of the Project and the general nature and type of use of the Project. For the avoidance of doubt, and notwithstanding anything herein to the contrary, Support Company shall not supervise or direct the day-to-day operation of the Project or any resident care or resident services.

2.4 Other Activities. Support Company and Support Company Affiliates may engage in or possess an interest in other business ventures of every nature and description and in any vicinity whatsoever, including, without limitation, the ownership, operation, and development of nursing homes, retirement homes, assisted and/or independent living facilities, apartments or duplexes, or other real property, and pharmacy, physical and speech therapy, home health,

hospice services, medical equipment, adult day care and any other senior service, and Operator shall have no rights in or to such independent ventures or to any profits therefrom. Any such activities may be undertaken with or without notice to or participation therein by Operator, and Operator hereby waives any rights or claims that it may have against Support Company or any Support Company Affiliate with respect to the income or profit therefrom or the effect of such activity on the Project. Nothing contained herein shall obligate any agent, officer, director, shareholder, member or partner of Support Company or any Support Company Affiliate to devote all or any particular portion of such party's time or efforts to the Project.

2.5 Support Company's Liability. Operator acknowledges that Support Company will enter into subcontracts ("**Subcontracts**") with others ("**Subcontractors**") to obtain certain services and goods to be provided under this Agreement, either on behalf of the Operator or on Support Company's own behalf, and that Support Company's remedies against a Subcontractor in the event it fails to perform such services, is negligent, engages in misconduct or otherwise defaults under the Subcontract (in any such case "**Subcontractor Default**") will be governed by the Subcontract and by applicable law. Operator agrees, for the purposes of this Agreement, that if Support Company, as soon as reasonably practicable after Support Company becomes aware of the occurrence of a Subcontractor Default, commences and thereafter pursues with reasonable due diligence remedies against such Subcontractor and, pending efforts by Support Company to enforce such remedies against such Subcontractor, either performs itself the services covered by the Subcontract or engages another Subcontractor for such purpose, then Support Company shall not be in default under the terms of this Agreement by reason of such Subcontractor Default.

Notwithstanding any other provision of this Agreement, and unless such act or omission constitutes willful misconduct by Support Company, a Consulting Company Affiliate or its or their employees or agents (and for the purposes of this Section the term "**employees or agents**" of Support Company shall not include Subcontractors or employees of Operator), under the terms of this Agreement, Support Company shall not be liable for any act or omission, negligent, tortious or otherwise, of a Subcontractor or any agent or employee of a Subcontractor, or its subsidiaries or affiliates, for any amount of damage, or any other monetary obligation whatsoever, which is in excess of the amount of cash proceeds actually recovered under the policies of liability insurance maintained pursuant to the terms of this Agreement, and under no circumstances whatsoever shall Support Company, under any theory of action or recovery, ever be liable for or obliged to pay or to satisfy any judgment for, any damages or other monetary obligation whatsoever, that is in excess of the amount of such cash proceeds. Notwithstanding any of the provisions of this Agreement, in no event shall Operator make any claim against Support Company on account of any alleged errors in judgment made in good faith in connection with the Project by Support Company, or a Support Company Affiliate or its or their employees, agents, members, managers, officers or subsidiaries, or the performance of any advisory or technical services provided by or arranged by Support Company.

2.6 Proprietary Interest. Notwithstanding anything herein to the contrary, the computer and technical systems, methods, logos, procedures and controls employed by Support Company (the "**Proprietary Materials**") are proprietary to Support Company and shall remain the property of Support Company and shall not, at any time, be utilized, distributed, copied or otherwise employed or acquired by the Operator.

ARTICLE III

BUDGET

3.1 Approval of Budget. As soon as reasonable and practicable for Support Company prior to the end of each Fiscal Year, Support Company shall prepare and deliver to Operator a proposed Budget for the next Fiscal Year. Operator shall have final approval right and control over the Budget. When approved by the Operator pursuant to this ARTICLE III, such Budget shall be an “*Approved Budget*.”

Operator agrees to give its approval or its disapproval of a proposed Budget not later than thirty (30) days after receipt with respect to each Fiscal Year. If Operator does not approve or disapprove the proposed Budget within such thirty (30) day period, then Operator shall be deemed to have approved the Budget.

If Operator objects to the proposed Budget, Operator agrees to furnish Support Company with the reasons for its objections, and Operator and Support Company shall work together in respect to the items to which Operator objects, and if a final Budget is not reached before the beginning of the applicable Fiscal Year, and without reference to whether more than one Fiscal Year shall lapse, then the Project shall be operated under a Budget (which for purposes of this Agreement shall be considered to be an Approved Budget) which is the same as the last Approved Budget, and Support Company shall be authorized to pay expenses necessary for the operation of the Project, including but not limited to: all expenses in the last Approved Budget, plus five percent (5%) above an amount equal to the sum of (i) the annualized level (the “*Base Level*”) of all such other expenses during the last three (3) months of the preceding Fiscal Year for which there was an Approved Budget plus (ii) five percent (5%) of such Base Level for the second Fiscal Year during which the Project is operated under such Budget not approved by Operator and an annually compounded five percent (5%) of such Base Level for each subsequent Fiscal Year during which the Project is operated under such Budget.

3.2 Approved Budget. An Approved Budget shall constitute an authorization by Operator for Support Company to incur costs to provide administrative support and consulting services for the Project pursuant to such Approved Budget, and Support Company may spend such sums as necessary to accomplish its duties and responsibilities herein. Operator acknowledges that, notwithstanding Support Company’s experience in relation to the support of similar developments, the projections contained in the Budget submitted at the commencement of each Fiscal Year are subject to and may be affected by changes in financial, regulatory, economic, and other conditions and circumstances, and the spending shall be adjusted to take into account such changes.

3.3 Expenditures for Capital Items. The Approved Budget shall constitute an authorization for Support Company to make the capital expenditures contemplated thereby on behalf of the Project. If during any Fiscal Year the administrator of the Project recommends the purchase or installation of new or replacement equipment or other capital items not contemplated by the Approved Budget, Support Company shall advise Operator regarding the advisability of and availability of funds for such expenditure.

3.4 Rates. From time to time, Support Company will recommend to Operator, for approval, rate structures consistent with federal and state regulations which take into account the financial obligations of the Project and the level of rates at other comparable facilities in the market area.

ARTICLE IV

SERVICES

4.1 Basic Services. As basic services hereunder (the "***Basic Services***"), Support Company shall support the Operator, as directed by the Operator, in the following matters:

(a) I.T. Support. Create relationships with third party providers to provide support for computers, telephones, hardware and software, and related I.T. functions, including assistance in setting up e-mail, websites and the like, the cost of which services will be included in the Budget.

(b) Staffing and Project Personnel. Provide recommendations to Operator for employment decisions affecting on-site Project employees. Except as provided herein, all on-site Project employees shall at all times be Operator's employees and not employees of Support Company. Support Company agrees to assist Operator in locating for employment by Operator an administrator licensed for the Existing Uses in the state in which the Project is located (if such licensure is required) for the day-to-day administration and direction of the Project. Operator and its governing body shall have the sole discretion to appoint the Project administrator. The administrator shall be an employee of and compensated by Operator as a Project Expense. In the event Support Company shall place one of its employees as department head, administrator or director of nursing (for example, on an interim basis while a replacement is hired), Support Company shall be reimbursed promptly by Operator for all applicable Salaries and Benefits of such Support Company employee. During any such placement, Support Company's employee placed at the Project shall be under the direction of Operator's administrator, and any employee placed at the Project as the administrator shall be under the direction of the Operator's governing body. The Salaries and Benefits of all on-site Project employees and the number of such employees shall be part of the Budget (and thus subject to approval by Operator).

(c) Payroll and Employee Benefits. Assist in coordinating payroll services for Operator's employees, and, at the request of Operator, make available to Operator's employees group life, accident, disability, medical and health insurance and a 401(k) plan and other benefits as approved by the Operator, the costs of which shall be included in Salaries and Benefits.

(d) Human Resources. Provide human resources support, including assisting Operator in establishing personnel policies, salary levels and employee performance standards. Operator may adopt, amend, reject or modify any or all such policies, salary levels and standards proposed or recommended by Support Company in connection with Operator's management and operation of the Project.

(e) Service Contracts. Enter into or renew, in the name and on behalf Operator, or recommend for Operator's approval and signature, contracts (collectively, and

including Subcontracts as defined in Section 2.5 hereof, referred to as “*Service Contracts*”) for electricity, gas, water, telephone, cable television, computers, hardware and software, cleaning, fuel oil, elevator maintenance, vermin extermination, trash removal, linen service, pharmaceuticals and medical supplies, pharmacy consulting, medical director, physical and speech therapy, hospice services, medical equipment, and other services in the ordinary course of the operation of the Project; purchase all supplies and equipment necessary to maintain and so operate the Project; and credit to Operator any discounts, rebates, or commissions obtained for purchases or otherwise. Support Company may provide liaison services between service providers and Operator from time to time.

Support Company may recommend the use of consultants or companies, even though same may be Support Company Affiliates and/or employed by Support Company or a Support Company Affiliate, and if employed or retained, such consultants or companies shall be compensated at market rates and on terms comparable to the normal and customary rates in the industry, and these payments shall be a Project Expense pursuant to this Agreement.

(f) Maintenance and Repair. Consult with and make recommendations to Operator for the maintenance and repair of the Improvements and grounds of the Project including, without limitation, interior and exterior cleaning, painting and decorating, plumbing, carpentry, and other normal maintenance and repair work.

(g) Project Expenses; Loans and Leases. To the extent funds are made available by Operator, pay, on behalf of Operator, all Project Expenses (other than any payments required on loans or leases, except as specifically provided below) on or before that date after which interest or penalty will begin to accrue thereon, provided, however, that Support Company may contest, if and to the extent appropriate, the payment of any Project Expense (or portion thereof) which Support Company has actual and reasonable grounds to believe (on the basis of the facts and information actually known to Support Company) should be contested. All expenses and costs of such contests, including without limitation, reasonable attorneys’ fees, shall be included as Project Expenses. In any instance in which Support Company has contested any Project Expense in accordance with the provisions of this Agreement, or has been requested by Operator to contest any Project Expense, then any interest or penalty which accrues and may thereafter become payable with respect to such Project Expense shall itself be a Project Expense.

If Operator shall so request, Support Company shall pay the aggregate amounts required to be paid pursuant to any loans or financing related to the Project, secured or unsecured, and leases for the Project, including amounts due under any such financing or leases for interest, amortization of principal, and for allocation to reserves or escrow funds, from the Project funds. All notices from any lender or landlord claiming any default in any financing or lease on the Project, and any other notice from any lender or landlord other than routine notice of payment due, shall be forthwith delivered by Operator to Support Company.

(h) Financial Statements. As soon as reasonable and practicable each calendar month, assist in the preparation of a statement of revenues and expenses showing the results of operation of the Project for the preceding month and of the Fiscal Year to date. As soon as reasonable and practicable after the end of each Fiscal Year, Support Company shall assist Operator in preparing profit and loss statements showing Project Revenues, Project

Expenses, Payments to Support Company, the results of operations for that Fiscal Year, and (provided Support Company has sufficient information) a balance sheet of the Project as of the end of that Fiscal Year, prepared on an accrual basis in accordance with generally accepted accounting principles consistently applied. All such monthly reports shall be in the format normally utilized by Support Company. Operator may, regularly and/or from time to time, require that the annual financial statements of the Project be audited, reviewed or compiled by a reputable accounting firm, and the cost of same shall constitute a Project Expense. Support Company shall have no obligation to prepare financial statements or accounting of any kind separate from such Project statements, except as agreed by Support Company, for which Support Company may charge an additional fee. Support Company shall, upon reasonable notice from Operator, prepare and submit to Operator such other reports or certificates as Operator may reasonably request concerning such matters relating to the Project as are within the scope of Support Company's services provided for in this Agreement. If any such additional reports or alternate report formats requested by Operator shall require Support Company to engage consultants or other professionals to assist Support Company in designing or preparing such report, or shall require Support Company's employees (other than employees engaged in performing Support Company's services under this Agreement) to expend additional time designing or preparing such report, then Operator shall promptly reimburse Support Company for the cost to Support Company of engaging such consultants or other professionals or of such time expended by Support Company's employees.

(i) Financial Records. Maintain, at the Project or at the address for Support Company provided for in this Agreement, or such other place or places as Operator may approve, a system of office records, books, and accounts, and any additional information or records reasonably required by Operator for the preparation of federal, state, and local tax returns, all in a manner reasonably satisfactory to Operator. Operator and others designated by Operator, including Operator's auditors and accountants, shall have, upon reasonable notice to Support Company, during normal business hours, access to and the right to audit and make copies of such records, accounts, and books, and all vouchers, files and all other material pertaining to the Project and this Agreement.

(j) Legal Proceedings. Assist Operator in instituting and prosecuting (including assigning counsel) in the name and at the expense of Operator such actions and proceedings necessary to effect the purposes, perform the services, and take the actions contemplated by this Agreement, including without limitation, to: (i) sue for and recover charges and other damages due from Residents and other persons obligated to Operator or Support Company in connection with the Project; (ii) settle, compromise, and release any such actions or suits or reinstate such Residents; and (iii) sign and serve in the name of Operator notices and other communications relating to any of the foregoing matters. Support Company shall keep Operator advised of all actions filed against Operator and known to Support Company and all actions filed by Operator that are beyond the scope of ordinary business operations. Operator shall be responsible for all costs and expenses, including without limitation attorney's fees, incurred in defending Support Company for actions brought against Support Company based upon Support Company's performance of its duties in connection with the Project notwithstanding the negligence of Support Company.

(k) Process Insurance Claims. If requested by Operator, process all claims under any insurance coverages pertaining to the Project in a reasonably expeditious manner, so as to minimize delay in receipt by the Project of the proceeds of such insurance.

(l) Maintenance of Licenses. Assist Operator in obtaining and maintaining all licenses and certifications required for operation of the Project, such as contracts with fiscal intermediaries and agencies and eligibility for participation in any applicable third party payor or other medical reimbursement programs. All licenses and permits shall be obtained in the name of and at the expense of the Operator. Further, Operator shall remain directly responsible to all federal, state and local enforcing agencies for compliance with such provisions and maintain state and federal licensing and certification requirements. Operator shall furnish copies of all surveys and notices of noncompliance to Support Company promptly upon receipt by Operator.

(m) Rate Schedules. Assist in developing price and rate schedules for the Project satisfactory to Operator; obtain approval of appropriate price schedules by government agencies and appropriate rate/reimbursement schedules from third-party paying agencies, if applicable; provide all statistical, financial, and other data necessary to obtain payment from the appropriate agencies, if applicable; and assist in effecting final settlement of claims for payment.

(n) Reports and Returns. Assist Operator in coordinating any reports or returns that may be required to be made under federal law or the state in which the Project is located, and any other required governmental reports or filings necessary for the operation of the Project, including the use of outside accountants or consultants as may be approved by Operator (and the cost of such items shall be a Project Expense); provided that all such returns and reports shall be finally approved and signed (if necessary) by Operator.

(o) Taxes. Reasonably assist Operator's tax advisor, as needed, with information gathering in connection with the payment of all taxes, assessments, and charges of every kind imposed upon the Project by any governmental authority, which amounts shall be paid by Operator when due from Project Revenues.

(p) Cost Reports. Reasonably assist in coordinating any cost reports that may be required to be made under the Medicare or Medicaid Program (or any successor program) of the federal Department of Health and Human Services or by the state in which the Project is located, including the use of outside accountants or consultants as may be approved by Operator (and the cost of such items shall be a Project Expense); provided that all such reports shall be finally approved and signed by Operator.

(q) Audits. Reasonably assist in coordinating any audit that may be required with respect to any lender, including the U.S. Department of Housing and Urban Development, including the use of outside accountants or consultants as may be approved by Operator (and the cost of such items shall be a Project Expense); provided that any such audit shall be finally approved and signed by Operator.

(r) Census Development and Marketing. Assist in creating census development processes and assist in developing (or overseeing a third-party in the development

of) marketing materials, media releases and such other publicity materials necessary for the marketing of the Project.

4.2 Extraordinary Services. Whenever Support Company determines that a service or services not included in the Basic Services required to be rendered pursuant to the Agreement (and not constituting an emergency) would be reasonably desirable to recommend for the Project (collectively, the “*Extraordinary Services*”), Support Company shall advise Operator of the need and cost therefore and make recommendations related thereto. Support Company shall then perform the Extraordinary Services in accordance with the directions of Operator as to the performance thereof and the amount to be expended therefore.

4.3 Emergency Services. “*Emergency Services*” are defined as any and all emergency repairs or services immediately necessary for the preservation and/or safety of the Project, to avoid the suspension of any important service to the Project or the licensure and/or certification of the Project, to avoid danger to life or property, or to preserve the use of the Project for the Existing Uses. Support Company may but shall not be required to perform Emergency Services in its discretion, without Operator’s prior approval of the performance or amount to be expended therefore; provided, however, Support Company shall, if reasonably possible, give Operator verbal notice of the performance of such service as soon as practicable.

4.4 Expense of Operator. All services performed by Support Company under this Agreement of any kind (including without limitation Basic Services, Extraordinary Services and Emergency Services) shall be at the sole expense of Operator. Notwithstanding any other provision of this Agreement, Support Company shall not be obligated to make any advance to or for the account of Operator or the Project or to pay any sums, except out of funds held in any account maintained under ARTICLE VI, nor shall Support Company be obligated to incur any liability or obligation for the account of Operator or the Project without assurance in Support Company’s sole discretion that the necessary funds for the discharge thereof are or shall be available, nor shall Support Company be responsible for the failure of the Project to be operated or maintained to the standard required by this Agreement as a result of Operator’s failure to provide funds timely for the Project.

4.5 Confidentiality. Support Company and Operator agree to maintain in confidence all information and materials provided by, or obtained from, each other including, without limitation, all financial information, source codes, medical protocols, operational practices, guidelines and procedures, manuals, booklets, pamphlets and technology as well as all other such information and data, except such use thereof as may be reasonably expected in the reasonable business of Operator. Further, all books, records, forms, notes, data, memoranda, models, supplies, materials, business accounts, lists and equipment, in any form or of any nature whatsoever delivered or furnished by Support Company to Operator during the course of its engagement shall remain the property of Support Company. Upon the termination of this Agreement or upon the request of Support Company, the Operator shall promptly return said material and items to Support Company.

4.6 Resident Privacy. Support Company shall have access to Resident data, which it shall hold in strict confidence, and shall use only for the purposes of this Agreement. Support Company shall instruct its personnel concerning the requirements of this section. Resident data

shall mean any data or information concerning Residents of the Project, including without limitation, any of the treatments, procedures, medicines, drugs, diagnoses, therapies, surgeries, outcomes, histories, genetics, disclosures or behaviors of any such Residents. The privacy and other rights of all Residents of the Project shall be respected.

4.7 HIPAA. Support Company may be a business associate of Operator under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended by the HITECH Act and the HIPAA Omnibus Rule (collectively, the "HIPAA Rules"). As such, Support Company will comply with the business associate requirements as set forth in the HIPAA Rules in current or amended form in using and disclosing Protected Health Information (as defined in the HIPAA Rules) that it receives from Operator in the course of furnishing its services hereunder. Support Company and Operator agree to enter into the Business Associate Agreement attached to this Agreement.

4.8 RESERVED

ARTICLE V

INSURANCE

5.1 Operator's Insurance. If requested by Operator, Support Company will use commercially reasonable efforts to obtain in Operator's name and at Operator's expense and keep in force (or absent such request, Operator shall obtain and keep in force) during the term of this Agreement:

(a) comprehensive general liability insurance, including public liability insurance, bodily injury, property damage, contractual, professional liability, personal injury liability, employment practices and crime/employee dishonesty insurance; such insurance to afford limits as reasonably requested by Operator from time to time.

(b) workers' compensation insurance with limits as statutorily required, along with employees' liability insurance; and

(c) such other coverages as reasonably requested by Operator or required by any lender or any government agency from time to time. Such insurance shall be written by companies approved by Operator which are legally qualified to issue such insurance in the state in which the Project is located and shall name Operator as insured and Support Company as an additional named insured. Such insurance may be procured by Support Company with other facilities supported by Support Company and/or Support Company Affiliates under so-called "blanket" insurance policies.

5.2 Operator Insurance. Unless Operator requests that Support Company obtain insurance as expressly provided in Section 5.1, Operator shall be responsible to procure and maintain all such insurance in the manner described in this Article, and all such insurance shall name Support Company as an additional insured.

5.3 Policies. The parties shall use commercially reasonable efforts to ensure that each policy referred to above shall:

(a) provide that it will not be cancelled, amended, or reduced except after not less than thirty (30) days' written notice to Operator and Support Company;

(b) name Support Company as an additional insured; and

(c) include a waiver of all rights of subrogation against Support Company, its officers, directors and shareholders, members, constituent partners, employees, and agents.

5.4 Waiver. Notwithstanding anything herein to the contrary, in any Fiscal Year, Operator may waive or reduce any insurance requirement set forth herein for Operator's benefit in its reasonable discretion depending on such factors as the availability of such insurance and the cost thereof.

5.5 Cooperation. Support Company and Operator each shall furnish whatever information is reasonably requested by the other for the purpose of establishing insurance coverages.

ARTICLE VI

BANK ACCOUNTS

6.1 Operating Account. Support Company is authorized solely as agent on behalf of Operator to establish bank accounts for the Project at a banking institution satisfactory to Operator, including an operating account, to deposit all Project Revenues therein and to pay all Project Expenses therefrom as well as some or all of the following accounts: depository, payroll, resident trust, lockbox, petty cash and other accounts approved by Operator. Support Company may designate the authorized signatories on such accounts, with the approval of the Operator.

6.2 Operator's Obligation to Provide Funds. If at any time cash in the operating account shall not be sufficient to pay expenses and all Payments to Support Company, Support Company shall not be obligated to pay expenses from its own account or to incur any liability whatsoever on behalf of Operator or the Project. Support Company shall notify Operator as soon as practicable upon its projection or awareness of a cash shortage or impending cash shortage. Operator shall determine payment priority, except that all Payments to Support Company shall be timely made. After Support Company has paid, to the extent of cash available in the operating account, all expenses based upon the ordered priorities set by Operator, Support Company shall submit to Operator a statement of all remaining unpaid expenses. Within five (5) Business Days after receiving such statement, Operator shall provide sufficient monies to pay any unpaid expenses and any Payments to Support Company. Such funds shall be provided to Support Company within 24 hours of Operator's receipt of such statement and by wire transfer of funds if more than \$5,000 remains due.

6.3 Right to Collect Payments to Support Company. To the extent funds are available in the operating account, Support Company shall be entitled to and is hereby authorized to disburse to itself all accrued Payments to Support Company. To the extent funds are not available in the operating account to pay same, Operator agrees to pay Support Company, within five (5) days after demand therefor, such sums as are necessary to discharge its liability to Support Company therefor. Any accrued Payments to Support Company remaining unpaid after

such five (5) day period shall bear interest at the Interest Rate from the date due until paid. If Support Company collects payments due hereunder by an attorney at law, Operator hereby agrees to pay all costs and expenses of collection, including without limitation a reasonable attorney's fee.

ARTICLE VII

FEE AND ADDITIONAL PAYMENTS

7.1 Amount. During the term of this Agreement, Operator shall pay Support Company the Fees set forth in Exhibit A.

7.2 Monthly Payments. Support Company shall pay itself the Fees for each month during the term of this Agreement by means of an ACH payment.

7.3 Calculation and Annual Adjustment. The Fee shall be paid in monthly installments calculated by multiplying the number of days in the month for which the fee is being calculated times a fraction, the numerator of which is the Project Revenues for the month (as shown on the most recent previous monthly statement) and the denominator of which is the number of days in the then preceding month, and multiplying that product times the support fee percentage noted on Exhibit A. Within fifteen (15) days after the delivery of the annual financial statements of the Project, Operator shall pay to Support Company or Support Company shall pay to Operator such amount as is necessary to make the amount of Fees actually paid with respect to such year equal to the amount of Fees shown to be due by the annual financial statements.

ARTICLE VIII

TERM

8.1 Term. This Agreement shall commence as of May 1, 2018 (the "***Commencement Date***") and shall thereafter continue for a period of five (5) years. Thereafter, this Agreement shall renew annually for five (5) year terms until one party gives the other written notice of its intent not to renew at least ninety (90) days prior to the end of the existing term.

8.2 Termination Without Cause. Either Operator or Support Company may, upon not less than sixty (60) days prior written notice, terminate this Agreement without cause, provided that no such termination shall relieve either party from its obligations arising or accruing prior to such termination, including without limitation, Operator's duty to pay all accrued Payments to Support Company.]

8.3 Termination Upon Default. The following shall constitute events of default by Support Company and/or Operator, as applicable:

(a) The filing of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy, insolvency or similar law by either Operator or Support Company;

(b) The consent to an involuntary petition in bankruptcy or the failure by either Operator or Support Company to vacate within one hundred and twenty (120) days from the date of entry thereof any order approving an involuntary petition;

(c) The entering of an order, judgment, or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating either Operator or Support Company a bankrupt or insolvent or approving a petition seeking reorganization or appointment of a receiver, trustee, or liquidator of all or a substantial part of such party's assets, which order, judgment, or decree shall continue unstayed and in effect for a period of one hundred twenty (120) consecutive days;

(d) The failure or refusal of Operator to provide funds necessary to pay Project Expenses, as and when provided for in this Agreement, and the Payments to Support Company, as and when provided for in this Agreement, provided Support Company shall have first delivered the notices relating to Operator's obligation to provide such funds for payment of Project Expenses or Payments to Support Company as required by this Agreement, and provided further that, as to Project Expenses, Operator's failure to pay such expenses is of such materiality as to make it reasonably impractical for Support Company to fulfill its obligations hereunder (which impracticality shall be presumed if the Project Expenses for which Operator has failed to advance funds exceed, in the aggregate, \$3,000.00), and the continuance of any such failure for a period of five (5) days after notice to Operator of the amounts required and the purposes thereof;

(e) The failure or refusal of Support Company to deposit, for collection, in the operating account all cash receipts within thirty (30) days of receipt thereof by Support Company;

(f) If the license for the operation of the Project or its certification as a provider under Medicare or Medicaid, if applicable, is suspended and such suspension lasts more than thirty (30) days or is finally revoked or terminated; or

(g) The failure of either Operator or Support Company to perform, keep, or fulfill any of the covenants, undertakings, obligations, or conditions set forth in this Agreement and the continuance of any such failure for a period of thirty (30) days after written notice of said failure, provided, however, that if such failure constitutes a default under subsections (a), (b) or (c) above, neither Operator nor Support Company shall be entitled to notice.

Notwithstanding any other provisions of this Agreement, but without otherwise affecting Support Company's rights or remedies hereunder, Operator agrees that, in the event Operator breaches this Agreement by wrongfully terminating or wrongfully purporting to terminate, in whole or in part, Support Company's position as Support Company hereunder, Support Company shall be entitled to the remedy of specific performance in addition to an action for damages or other remedies.

8.4 Effect of Termination. Upon termination of this Agreement,

(a) Support Company shall:

i. Surrender and deliver up to Operator any and all Project Revenues and any resident funds and security deposits on hand or in the operating accounts less the Payments to Support Company through the termination date, as provided in this Agreement;

ii. Deliver to Operator as received any monies due Operator under this Agreement but received by Support Company after such termination, less any Payments to Support Company through the termination date, as provided in this Agreement;

iii. Deliver to Operator all materials, supplies, keys, contracts and documents, plans, specifications, promotional materials, and such other accountings, papers, and records pertaining to this Agreement;

iv. At Operator's request, assign to Operator (without recourse to or warranty by Support Company) executed contracts relating to the operation and maintenance of the Project;

v. Deliver to Operator a statement of revenues and expenses showing the results of operation of the Project for the period up to and including the date of termination;

vi. Cease the performance of all services required to be performed by Support Company under this Agreement; and

vii. Cooperate reasonably with Operator to accomplish an orderly transfer, if any, of the support services provided by the Support Company to the party designated by Operator.

(b) Operator shall:

i. purchase tail insurance coverage naming Support Company as an additional named insured with an extended reporting period of three (3) years; and

ii. enter into a separate agreement with Support Company to provide any "wind down" services or other activities requested by Operator in connection with the Project from and after the date of termination.

Upon termination of this Agreement for any reason, any right of Support Company to receive Payments to Support Company which accrue under the terms of this Agreement, prior to such termination, but are payable after the date of such termination, shall survive such termination and continue in force and effect, and Operator shall be obligated to make such Payments to Support Company in the amounts and at the times provided for in this Agreement.

ARTICLE IX

CASUALTY; CONDEMNATION

9.1 Total or Substantial Destruction. If the Project or any material portion thereof shall be damaged or destroyed at any time or times during the term of this Agreement by fire, casualty, or any other cause which renders the Project totally or substantially inoperative for the Existing Uses, and Operator does not notify Support Company within three (3) months following the occurrence of such damage or destruction that Operator intends to rebuild or replace the same to substantially its former condition prior to such damage or destruction, this Agreement shall terminate as of the date of the damage or destruction. If Operator notifies Support Company within three (3) months following the occurrence of such damage or destruction that Operator intends to rebuild or replace the Project and does rebuild or replace the Project within a reasonable time, this Agreement shall continue in full force and effect except that the term hereof shall be extended for the period of time equal to that period during which the Project is inoperative.

For purposes of this Agreement, total destruction or damage which renders the Project "totally or substantially inoperative for the Existing Uses" shall mean damage or destruction which, according to an engineer selected by Operator and Support Company (each party agreeing to cooperate reasonably in such selection), could not reasonably be expected to be repaired or restored within twelve (12) months after the occurrence of such damage or destruction, so that at such time the Project will be restored substantially to the condition in which it existed prior to such damage or destruction, with services and amenities substantially equivalent to those which existed prior to such damage or destruction.

9.2 Partial Damage or Destruction. If the Project is damaged or partially destroyed in such a manner as to not render the Project totally or substantially inoperative for the Existing Uses (as defined in Section 9.1 above), this Agreement shall remain in force and effect as to that portion of the Project not so damaged or destroyed, with an appropriate abatement in the services to be performed by Support Company as to such damaged or destroyed portion, except that if Operator does not notify Support Company within three (3) months following the occurrence of such damage or destruction that Operator intends to repair or replace the portion of the Project which was damaged or destroyed, Support Company shall have the option, upon thirty (30) days' notice to Operator, to terminate this Agreement, such termination to be effective upon the expiration of said thirty (30) day period.

9.3 Condemnation. If the whole or substantially all of the Project shall be condemned or taken in any manner for any public or quasi-public use under any statute or by right of eminent domain, then this Agreement shall terminate as of the date of vesting of title thereto in the condemning authority, with each party's rights accruing through such date. If a part of the Project is so taken or condemned, and if such taking shall substantially affect the Project or if such taking shall be of a substantial part of the Project, Support Company shall have the right, by delivery of notice to Operator within sixty (60) days after such taking, to terminate this Agreement as of the date of the vesting of title thereto in the condemning authority, with each party's rights accruing through such date. If Support Company shall not so elect, this Agreement shall be and remain unaffected by such taking, except that, effective as of the date of such taking,

appropriate abatement shall be made in the services to be performed by Support Company as to such taken area of the Project.

For purposes of this Agreement, the condemnation or taking of the "whole or substantially all of the Project" shall mean the condemnation or taking (or conveyance in lieu thereof) of a material portion of the Project, such that the Project ceases to be operable for all of the Existing Uses, or ceases to have adequate available parking or access, or ceases to have services and amenities substantially similar to those which existed immediately prior to such condemnation or taking (or conveyance in lieu thereof).

9.4 Risk of Loss. Notwithstanding anything to the contrary contained in this Agreement, Operator shall at all times bear the risk of loss upon damage or destruction of the Project.

ARTICLE X

MISCELLANEOUS

10.1 Delegation; Assignment.

(a) Support Company shall have the right to delegate its responsibilities under this Agreement to employees or agents of Support Company or to engage Subcontractors for performance of all or any part of the services to be provided hereunder; provided, however, that Support Company shall at all times supervise the performance of Support Company's duties and obligations hereunder. Additionally, Support Company shall have the right, without obtaining Operator's consent, to assign this Agreement to a Support Company Affiliate. Otherwise Support Company shall not, without Operator's prior approval (which shall not be unreasonably withheld), assign any of its rights, other than its right to receive the Payments to Support Company (which Support Company may freely transfer or encumber) or its obligations under this Agreement, whether by operation of law or otherwise, and any such attempted assignment shall be void.

(b) If any person or entity other than Operator succeeds or attempts to succeed to title of or the license to the Project, Support Company shall have the option to terminate this Agreement upon ten (10) days' notice to the then current licensee of the Project.

10.2 Notices. Any and all notices, requests, demands, consents, approvals or other communications required or permitted under this Agreement by either party hereto shall be in writing and shall be made by hand delivery, by sending via Federal Express or another nationally-recognized overnight delivery service, or by sending via certified U. S. Mail with unrestricted delivery, return receipt requested, postage prepaid, and hand delivered or so sent to the party being notified at the address(es) below.

To Operator:

SODDY DAISY HEALTHCARE, LLC
d/b/a Soddy Daisy Health Care Center
701 Sequoyah Road
Soddy Daisy, TN 37379
Attention: Administrator

To Support Company:

Grace Healthcare Support Services
801 Broad Street, Suite 300
Chattanooga, TN 37402
Attn: President- Cynthia B. Matheny

Notice shall be considered delivered at the earliest of the following to occur: when actually received, three (3) Business Days (as hereinafter defined) after being so sent by U. S. Mail, or one (1) Business Day after being so sent by Federal Express or another nationally-recognized overnight courier service, independent of the date of actual delivery or whether delivery is ever in fact made, as the case may be, provided the giver of notice can establish the fact that notice was sent or tendered as provided herein. If notice is tendered pursuant to the provisions of this Section and is refused by the intended recipient thereof the notice, nevertheless, shall be considered to have been given and shall be effective as of the date herein provided. If notice is tendered pursuant to the provisions of this Section and is refused by the intended recipient thereof, the notice, nevertheless, shall be considered to have been given and shall be effective as of the date herein provided.

Operator and Support Company may, by written notice given by each to the other, designate any address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Agreement.

10.3 Entire Agreement. This Agreement shall constitute the entire agreement between the parties hereto with respect to the management of the Project and shall supersede all other prior agreements, written or oral, between the parties relating to the Project. No modification hereof shall be effective unless made by supplemental agreement in writing executed by the parties hereto. This Agreement supersedes and replaces any prior agreements between the parties relating to the Project.

10.4 Nature of Agreement. Neither the relationship between Operator and Support Company nor anything contained in this Agreement shall be deemed to constitute a partnership, joint venture, or any other similar relationship, and Support Company shall at all times be deemed an independent contractor for purposes of this Agreement.

10.5 Referral of Residents. The parties agree that the payments made to Support Company by Operator hereunder are not in any way contingent upon the admission or referral of Residents by Support Company. Further, nothing herein shall require or contemplate any referrals of Residents by Operator, Operator Affiliates, or their members, owners or shareholders.

10.6 Force Majeure. Notwithstanding anything herein to the contrary, Support Company shall not be deemed in breach or default of this Agreement if it is prevented or hindered from performing its obligations hereunder due to war, civil unrest, strike, labor troubles, promulgation of law or regulation, governmental delays, unusually inclement weather, inability to procure services or materials despite reasonable efforts, acts of God, or any other cause(s) beyond the reasonable control of the Support Company.

10.7 Access to Books and Records. As and to the extent required by law, upon the written request of the United States Secretary of Health and Human Services, the Comptroller General, Attorney General, or any of their duly authorized representatives, Support Company shall make available those contracts, books, documents and records necessary to verify the nature and extent of the costs of providing services under this Agreement. Such inspection shall be available for up to four (4) years after the rendering of such services. If Support Company carries out any of the duties of this Agreement through a subcontract with a value of \$10,000.00 or more over a twelve (12) month period with a related individual or organization, Support Company agrees to include this requirement in any such subcontract. This section is included pursuant to and is governed by the requirements of 42 U.S.C. Section 1395x(v)(1) and the regulations promulgated thereunder. No attorney-client, accountant-client, or other legal privilege will be deemed to have been waived by either party by virtue of this Agreement.

10.8 Governing Law. This Agreement is made pursuant to, and shall be governed by and construed in accordance with, the laws applicable to contracts made and to be performed in the state where the Project is located.

10.9 No Waiver; Cumulative Remedies. The failure of Operator or Support Company to seek redress for violation or to insist upon the strict performance of any covenant, agreement, provision, or condition of this Agreement shall not constitute a waiver of the terms of such covenant, agreement, provision, or condition, and Operator and Support Company shall have all remedies provided herein and by applicable law with respect to any subsequent act which would have originally constituted a violation.

10.10 Non-Assumption of Liabilities; No Third Party Beneficiaries. Support Company shall not by entering into and performing this Agreement become liable for any obligations, liabilities or debts of Operator or the Project or any Operator Affiliates or others, and Support Company shall not by performing services to the Operator assume or become liable for any of the obligations, debts and liabilities of the Operator or the Project, and will in the course and

scope of performing services hereunder have only the obligation to observe and perform the terms and conditions of this Agreement. None of the provisions hereof shall be deemed to create any obligation or liability of any party to any person or entity that is not a named party to this Agreement, whether under a third-party beneficiary theory or otherwise.

10.11 Contract Modifications for Prospective Legal Events. In the event any state or federal laws or regulations, now existing or enacted or promulgated after the execution date of this Agreement, are interpreted by judicial decision, a regulatory agency or legal counsel in such a manner as to indicate that the structure or any terms of this Agreement may be in violation of such laws or regulations, this Agreement shall automatically be deemed modified as necessary to comply with such laws or regulations. To the maximum extent possible, any such modification shall preserve the underlying economic and financial arrangements between Support Company and Operator. Support Company and Operator shall amend this Agreement to reflect such modification promptly.

10.12 No Liability of Officers, Directors, Members. Notwithstanding any of the provisions of this Agreement, under no circumstances whatsoever, under any theory of action or recovery, shall any of the officers, directors, shareholders, members, managers, constituent partners, parent company, or employees of Support Company or any Support Company Affiliate ever be liable for any act or omission, negligent, willful, tortious or otherwise of Support Company, Support Company Affiliate, or their agent or subsidiaries.

10.13 Headings. The headings of the Sections, subsections, paragraphs and subparagraphs hereof are provided herein for and only for convenience of reference, and shall not be considered in construing their contents.

10.14 Construction. As used herein, (a) the term “*person*” means a natural person, a trustee, a corporation, a limited liability company, a partnership and any other form of legal entity, and (b) all references made (i) in the neuter, masculine or feminine genders shall be deemed to have been made in all such genders, (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well, and (iii) to any Section, subsection, paragraph or subparagraph shall, unless therein expressly indicated to the contrary, be deemed to have been made to such Section, subsection, paragraph or subparagraph of this Agreement.

10.15 Special Stipulations. The Special Stipulations, if any, attached hereto as EXHIBIT B are made a part hereof. To the extent the Special Stipulations conflict with the terms hereof, the Special Stipulations shall control.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of
May 1, 2018.

SUPPORT COMPANY:

GRACE HEALTHCARE, LLC,
a Delaware limited liability company
d/b/a Grace Healthcare Support Services

By: Cynthia B. Matheny
Cynthia B. Matheny, President

OPERATOR:

SODDY DAISY HEALTHCARE, LLC d/b/a Soddy
Daisy Health Care Center a Tennessee limited
liability company

By: Ember Soucher
Name: Ember Soucher
Its: Authorized Representative

EXHIBIT A

FEES

Fees shall be equal to FOUR PERCENT (4%) of the Project Revenues (after contractual allowances) from all sources for each Fiscal Year of the term of this Agreement.

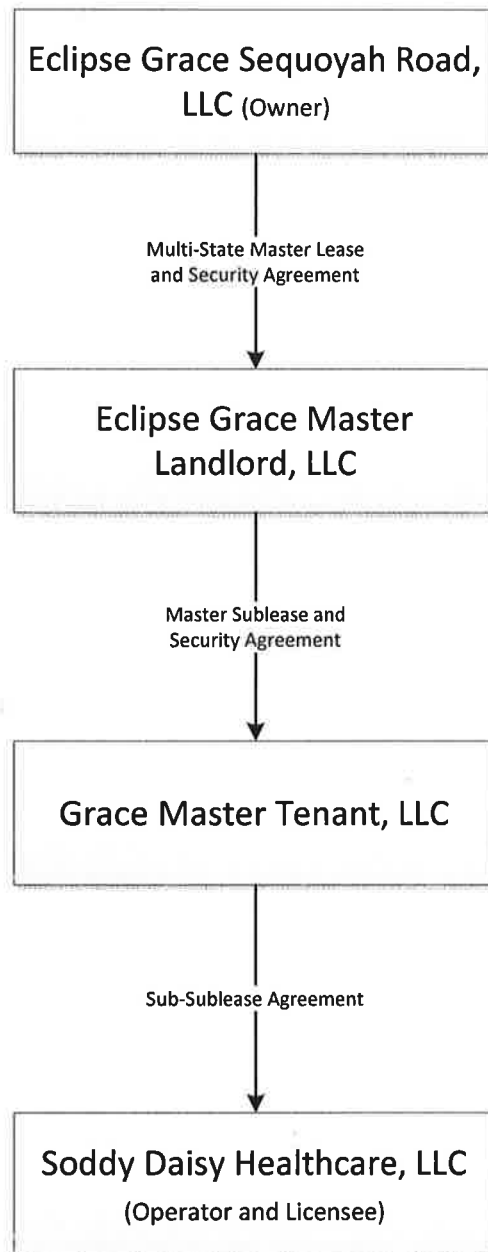
EXHIBIT B
SPECIAL STIPULATIONS

NONE

Attachment Section A-6A

Lease Documents

Soddy Daisy Healthcare Center



AMENDMENT TO MASTER SUBLEASE AND
SECURITY AGREEMENT

**SECOND AMENDMENT TO MASTER SUBLEASE AND SECURITY AGREEMENT
(GRACE MULTI-STATE)**

This **SECOND AMENDMENT TO MASTER SUBLEASE AND SECURITY AGREEMENT** (this "Amendment") is made as of September 25, 2017 (the "Amendment Effective Date"), by and between Eclipse Grace Master Landlord, LLC ("Landlord") and Grace Master Tenant, LLC ("Tenant").

WITNESSETH:

WHEREAS, Crown Master Landlord, LLC ("Original Landlord") and Tenant are parties to that certain Master Sublease and Security Agreement dated January 21, 2011 (the "Original Lease"), pursuant to which Original Landlord subleased to Tenant the Premises (as defined therein);

WHEREAS, pursuant to that certain Assignment and Assumption Agreement – Operating Lease (Grace Multi-State) dated May 7, 2014 (the "Assignment"), Original Landlord assigned all of its rights, title and interests as "Landlord" in, to and under the Original Lease to Landlord;

WHEREAS, the Original Lease, as assigned pursuant to the Assignment, and as amended pursuant to that certain Amendment to Master Sublease and Security Agreement dated August 13, 2015 between Landlord and Tenant, and as the same may be hereafter further amended, restated, replaced, supplemented and/or otherwise modified from time to time, is referred to herein as the "Lease"; and

WHEREAS, pursuant to Section 53 of the Lease, Landlord and Tenant desire to amend the Lease in accordance with the terms herein.

NOW, THEREFORE, in consideration of the covenants, conditions and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree to amend the Lease as follows:

1. Capitalized Terms. Capitalized Terms used but not defined herein shall have the meanings ascribed to such terms in the Lease.

2. Definition. The definition of Renewal Term in Section 1 of the Lease is hereby deleted in its entirety and replaced with the following:

“**Renewal Term**’ means the Renewal Term commencing upon the expiration of the Initial Term or, if applicable, the additional Renewal Term described in Section 2.3.”

3. Extension of Term. Effective as of the Amendment Effective Date:

(a) Section 2.2 of the Lease shall be deemed deleted in its entirety and replaced with the following:

“Term.” The term of this Lease shall commence at 12:01 a.m. on the Effective Date and shall end on December 31, 2020 (the **“Initial Term”**). Following the Initial Term, the term of this Lease shall automatically continue for an additional Renewal Term of five (5) years and shall end on December 31, 2025, unless extended pursuant to Section 2.3 or 22.6 or earlier terminated in accordance with the provisions hereof.”

- (b) The first paragraph of Section 2.3 of the Lease shall be deemed deleted in its entirety and replaced with the following:

“Renewal Term.” The Term may be extended for one (1) additional Renewal Term (a **“Renewal Term”**, and together with the Renewal Term ending on December 31, 2025, the **“Renewal Terms”**) of five (5) years, upon the satisfaction of all of the following terms and conditions:”

4. Soddy Daisy Expansion; Base Rent Increases. Effective as of the Amendment Effective Date, the following shall be added to the Lease as a new Section 6.6:

“Soddy Daisy Expansion.” Notwithstanding the terms of Sections 6.1.4 and 6.5 of the Lease, Tenant shall have the right to expand the portion of the Premises known as the Soddy Daisy Health Care facility, which is located at 701 Sequoyah Road, Soddy Daisy, Tennessee, upon the satisfaction of all of the following terms and conditions (such Capital Expenditure expansion project, the **“Soddy Daisy Expansion”**):

6.5.1 Tenant has provided Landlord with evidence of appropriate insurance (as determined by Landlord) for the Soddy Daisy Expansion.

6.5.2 Tenant has provided Landlord with evidence of sufficient funds to pay all costs reasonably anticipated to be incurred in connection with the Soddy Daisy Expansion. Notwithstanding the terms of Section 6.6 of the Lease to the contrary, Landlord shall reimburse Tenant for any actual out-of-pocket costs incurred by Tenant in connection with the Soddy Daisy Expansion up to a maximum of Three Million Three Hundred Fifty Thousand and 00/100 Dollars (\$3,350,000) (the **“Maximum Expansion Amount”**). So long as no Event of Default has occurred and is continuing, Landlord shall reimburse Tenant for such costs within thirty (30) days after submission by Tenant to Landlord of the required Capital Expenditure Documents and such other evidence as Landlord may reasonably require evidencing that Tenant has incurred costs for the Soddy Daisy Expansion together with a request for Landlord to reimburse Tenant pursuant to the Capital Expenditure Documents; provided, that Landlord shall not be obligated to disburse to Tenant any amount in excess of the Maximum Expansion Amount or more than once in any thirty (30) day period.

6.5.3 Tenant has delivered to Landlord a completion guaranty with respect to the Soddy Daisy Expansion in the form attached hereto as Exhibit G prior to commencement of the Soddy Daisy Expansion.

6.5.4 Subject to the applicable terms of Section 6.1.4 hereof, Tenant may use funds held in the Capital Expenditure Account in connection with the Soddy Daisy Expansion. Any funds held by Landlord in the Capital Expenditure Account at the expiration of the Term with respect to the Soddy Daisy Expansion shall be the sole property of Landlord. Tenant shall not be entitled to a disbursement of any funds from the Capital Expenditure Account for the Soddy Daisy Expansion during the continuance of an Event of Default.

6.5.5 All work done in connection therewith shall be done in a good and workmanlike manner and in compliance with all existing codes and regulations pertaining to the Premises and shall comply with the requirements of insurance policies required under this Lease.

6.5.6 Senior Lender or Landlord may, at any time and from time to time, cause to be made inspections of the Premises (including, without limitation, the area constituting the Soddy Daisy Expansion) by a qualified third party inspection.

6.5.7 The Minimum Rent due to Landlord for each calendar month shall be increased by eleven percent (11%) of the amount (if any) expended by Landlord during the prior month to reimburse Tenant for Tenant's actual out-of-pocket costs incurred by Tenant in connection with the Soddy Daisy Expansion.

5. No Change in Terms and Conditions. Except as modified herein, the Lease is ratified and confirmed and remains in full force and effect. To the extent of any conflict or inconsistency between the terms of this instrument and the Lease, this instrument shall control.

6. Counterparts. This Amendment may be executed and delivered, including by facsimile transmission or by electronic transmission in Adobe portable document format (.pdf), in counterparts, each of which shall be deemed an original, and all of which when taken together shall constitute one and the same instrument.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

LANDLORD:

ECLIPSE GRACE MASTER LANDLORD, LLC

By: _____

Name: Cory Bennett

Title: Authorized Signatory

TENANT:

GRACE MASTER TENANT, LLC

By: _____

Name:

Title:

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

LANDLORD:

ECLIPSE GRACE MASTER LANDLORD, LLC

By: _____

Name:

Title: Authorized Signatory

TENANT:

GRACE MASTER TENANT, LLC

By: _____

Gynthia B. Matheny

Name: *Gynthia B. Matheny*

Title: *COO*

AMENDMENT TO MASTER SUBLEASE AND
SECURITY AGREEMENT

**AMENDMENT TO MASTER SUBLEASE AND SECURITY AGREEMENT
(GRACE MULTI-STATE)**

This **AMENDMENT TO MASTER SUBLEASE AND SECURITY AGREEMENT** (this "Amendment") is made as of August 13, 2015, by and between Eclipse Grace Master Landlord, LLC ("Landlord") and Grace Master Tenant, LLC ("Tenant").

WITNESSETH:

WHEREAS, Crown Master Landlord, LLC ("Original Landlord") and Tenant are parties to that certain Master Sublease and Security Agreement dated January 21, 2011 (the "Lease"), pursuant to which Original Landlord subleased to Tenant the Premises (as defined therein);

WHEREAS, pursuant to that certain Assignment and Assumption Agreement – Operating Lease (Grace Multi-State) dated May 7, 2014, Original Landlord assigned all of its rights, title and interests as "Landlord" in, to and under the Lease to Landlord; and

WHEREAS, pursuant to Section 53 of the Lease, Landlord and Tenant desire to amend the Lease in accordance with the terms herein.

NOW, THEREFORE, in consideration of the covenants, conditions and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree to amend the Lease as follows:

1. Fixed Charge. The definition of Fixed Charge in Section 1 of the Lease is hereby deleted in its entirety and replaced with the following:

" Fixed Charge means, at any time, the sum of (i) all interest expense obligations of Tenant and Subtenants; plus (ii) scheduled principal payments on all debt obligations of Tenant and Subtenants; plus (iii) expenses relating to all capitalized leases of Tenant and Subtenants but excluding any expenses of Tenant and Subtenants under this Lease, except as provided herein; plus (iv) Percentage Rent under this Lease; plus (v) dividends and distributions of Tenant and Subtenants, if any; plus (vi) income tax obligations of Tenant and Subtenants (but not less than zero), all determined on a consolidated basis and in conformity with GAAP. For the avoidance of doubt, any interest in connection with the Working Capital Financing made to Tenant shall be excluded from the term "Fixed Charge."

2. Key Personnel. Section 21.2 of the Lease shall be deleted in its entirety and replaced with the following:

"During the Initial Term and any Renewal Terms of this Lease, the following person shall be actively involved with the operation of Tenant's business on the Premises: Mike Roberts, President and COO (the "Key Personnel"). In the event that the Key Personnel's employment with Tenant is discontinued for any reason, Tenant shall provide written notice to Landlord, as well as a plan of recruitment for replacement of the Key Personnel within fifteen (15) business days after Tenant has

notice of such discontinuance of employment. Tenant shall use its best efforts to replace the Key Personnel with a person having similar or better qualifications and experience, in Landlord's reasonable discretion, within ninety (90) days after the date of such notice to Landlord, subject to the review and approval of Landlord. If the Key Personnel is not replaced within 90 days after the date of such notice to Landlord, then Landlord shall have the option to terminate this Lease, by delivering not less than thirty (30) days prior written notice to Tenant. In the event of a termination of this Lease pursuant to this Section 21.2, the provisions of Section 15 herein shall apply."

3. No Change in Terms and Conditions. Except as modified herein, the Lease is ratified and confirmed and remains in full force and effect. To the extent of any conflict or inconsistency between the terms of this instrument and the Lease, this instrument shall control.

4. Counterparts. This Amendment may be executed and delivered, including by facsimile transmission or by electronic transmission in Adobe portable document format (.pdf), in counterparts, each of which shall be deemed an original, and all of which when taken together shall constitute one and the same instrument.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

LANDLORD:

ECLIPSE GRACE MASTER LANDLORD, LLC

By: Scott Brown
Name: Scott Brown
Title: Authorized Signatory

TENANT:

GRACE MASTER TENANT, LLC

By: _____
Name:
Title:

[Signature Page to Amendment to Master Sublease and Security Agreement (Grace Multi-State)]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

LANDLORD:

ECLIPSE GRACE MASTER LANDLORD, LLC

By: _____

Name: _____

Title: Authorized Signatory

TENANT:

GRACE MASTER TENANT, LLC

By: _____

Name: _____

Title: Secretary

[Signature Page to Amendment to Master Sublease and Security Agreement (Grace Multi-State)]

SUB-SUBLEASE AGREEMENT

SUB-SUBLEASE AGREEMENT

THIS SUB-SUBLEASE AGREEMENT (this “Sublease”) is executed as of January 21, 2011, (the “Effective Date”) by and between Grace Master Tenant, LLC, a Delaware limited liability company, having an address at 7201 Shallowford Road, Suite 200, Chattanooga, Tennessee 37421 (“Sublandlord”) and Soddy Daisy Healthcare, LLC, a Tennessee limited liability company, having an address at 7201 Shallowford Road, Suite 200, Chattanooga, Tennessee 37421 (“Subtenant”).

Recitals:

A. Pursuant to the Multi-State Master Lease and Security Agreement dated January 21, 2011 (as modified, amended, and supplemented from time to time, the “Prime Lease”) between Crown Pace Street, LLC, Crown Sequoyah Road, LLC, each a Tennessee limited liability company, Crown Sixty-Sixth Street, LLC, Crown Tenth Avenue, LLC, each a Florida limited liability company, Crown Braddock Road, LLC, Crown Walden Road, LLC, each a Virginia limited liability company, and Crown Academy Road, LLC, a Maryland limited liability company (collectively, the “Prime Landlord”) and Crown Master Landlord, LLC, a Delaware limited liability company (the “Prime Tenant”), Prime Tenant leased from Prime Landlord multiple long term care facilities together with all related personal property at each location, including the Premises, as defined below. Simultaneously with the Prime Lease, Prime Tenant has leased two (2) additional long term care facilities together with all related personal property at each location (together, the “Michigan Facilities”) from Crown Wells Street, LLC and Crown Wilbur Road, LLC, each a Michigan limited liability company (the “Michigan Prime Lease”). The Prime Tenant shall hereinafter be referred to as “Landlord”.

B. Pursuant to the Master Sublease and Security Agreement dated as of January 21, 2011 (the “Master Lease”), a copy of which is annexed to this Sublease as Exhibit “A” and made a part hereof for all purposes, by and between Landlord and Sublandlord, as tenant, Sublandlord subleased from Landlord certain real property and improvements (the “Multi-State Facilities” and, together with the Michigan Facilities, the “Facilities”), including the long term care facility together with all related personal property having an address of 4250 Sixty-Sixth Street, St. Petersburg, Florida 33709, known as “Jacaranda Manor” (the “Premises”). Simultaneously with the Master Lease, Landlord and Sublandlord, as tenant, have entered into a Master Sublease and Security Agreement dated as of January 21, 2011 for the Michigan Facilities (the “Michigan Master Lease”). The term “Master Lease” includes any amendments or modifications thereto and any other agreements concerning the Premises.

C. Sublandlord now desires to sublease to Subtenant and Subtenant desires to sublease from Sublandlord the Premises, and such Sublease is permissible pursuant to the terms of the Master Lease.

NOW, THEREFORE, for and in consideration of TEN DOLLARS (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties, Sublandlord and Subtenant agree as follows:

1. Sublease of Premises.

(a) In consideration of the obligations of Subtenant to pay Rent as herein provided, and in consideration of the other terms herein, Sublandlord hereby subleases to Subtenant and Subtenant hereby subleases from Sublandlord the Premises in accordance with the terms and conditions of this Sublease. The recitals set forth above are incorporated by reference herein and hereby agreed to and accepted by Subtenant and Sublandlord.

(b) Subtenant has inspected the Premises, is satisfied with its condition and hereby accepts the Premises in its "AS IS," "WHERE IS" and "SUBJECT TO ALL FAULTS" condition. Subtenant's acceptance of occupancy from Sublandlord shall constitute an acknowledgement by Subtenant that Subtenant has inspected the Premises and that same are suitable for Subtenant's intended use thereof as stated in this paragraph. Subtenant recognizes and agrees that Sublandlord is making no warranties, expressed or implied, as to the present or future suitability of the Premises for any particular use.

(c) The Premises shall be occupied and used by Subtenant solely for the purposes permitted under the Master Lease. The Premises shall not be used for any other purpose. Subtenant will occupy the Premises upon the Effective Date and thereafter continuously operate and conduct its business within 100% of the Premises during the term of this Sublease.

2. Sublease Term.

(a) The term (the "Term") of this Sublease shall commence on the Effective Date, as defined in the Master Lease, and shall expire on the date immediately prior to the expiration of the Master Lease term with respect to the Premises, unless sooner terminated as provided herein.

(b) The following shall be considered for all purposes to be events of default under and a breach of this Sublease: (i) any failure of Subtenant to pay any rent or other amount when due hereunder; (ii) any failure by Subtenant to perform or observe any other of the terms, provisions, conditions and covenants of this Sublease for more than thirty (30) days after written notice of such failure is provided by Sublandlord; (iii) failure to comply with Section 16 herein; (iv) Sublandlord determining that Subtenant has submitted any false report required to be furnished hereunder; (v) Subtenant shall become bankrupt or insolvent, or file or have filed against it a petition in bankruptcy or for reorganization or arrangement or for the appointment of a receiver or trustee of all or a portion of Subtenant's property, or Subtenant makes an assignment for the benefit of creditors; (vi) this Sublease, Subtenant's interest herein or in the Premises, any improvements thereon, or any property of Subtenant is executed upon or attached; or (vii) the Premises are occupied by any person other than as expressly permitted under this Sublease. Upon the occurrence of any event of default specified in this Sublease, Sublandlord, without any grace period, demand or notice of any kind whatsoever (the same being hereby waived by Subtenant), shall have the right to pursue any one or more of the remedies afforded to Landlord under the Master Lease. No re-entry or taking possession of the Premises by Sublandlord shall be construed as an election to terminate this Sublease unless a written notice of such termination is given by Sublandlord to Subtenant. Notwithstanding any such reletting, re-

entry or taking possession, without termination, Sublandlord may at any time thereafter terminate this Sublease for any prior breach or default.

(c) If Subtenant holds over or occupies the Premises after the expiration or termination of this Sublease or demand by Sublandlord to vacate (it being agreed there shall be no such holding over or occupancy without Sublandlord's written consent), Subtenant shall pay Sublandlord for each day of such holding over a sum equal to the greater of that required of a hold over tenant under the Master Lease or 150% of the monthly rent applicable hereunder at the expiration of the term or termination of the Sublease, prorated for the number of days of such holding over. If Subtenant holds over with or without Sublandlord's written consent, Subtenant shall occupy the Premises as a Subtenant-at-sufferance and all other terms and provisions of this Sublease shall be applicable to the period of such occupancy. Subtenant agrees that Sublandlord may institute an unlawful detainer action against Subtenant without serving any demand for possession, demand to vacate, notice of termination or similar demand or notice upon Subtenant.

3. Rent and Other Charges.

(a) Beginning on the Effective Date, Subtenant shall pay the rent ("Rent") for the Premises in the amount per month set forth on Schedule 1 plus applicable sales tax if any, payable as provided therein. Sublandlord and Subtenant acknowledge and agree that the Percentage Rent, payable as set forth on Schedule 1, is due and payable on a consolidated basis for all Facilities pursuant to the terms of the Master Lease and the Michigan Master Lease. All Rent shall be paid without deduction or offset, prior notice or demand, and the obligations to pay Rent shall constitute an independent covenant. All Rent and other payments to be paid by Subtenant to Sublandlord shall be sent to Sublandlord at the address set forth above, or at Sublandlord's election, by wire transfer into an account designated in writing by Sublandlord. The rent for any month during the Term which begins or ends on other than the first or last calendar day of a calendar month shall be prorated based on actual days elapsed. If the date for payment of any installment of Rent falls on a non-Business Day, such installment shall be due on the first Business Day, as defined in the Master Lease, immediately preceding such payment date.

(c) In addition to all other remedies which Sublandlord shall have with respect to a late payment resulting from Subtenant's failure to make a payment hereunder, Sublandlord shall have the right in the event that Subtenant fails to make any payment for which it is obligated under this Sublease within three (3) days of its due date, to impose a five percent (5%) late charge, which shall be applied to the administrative cost and expense incurred by Sublandlord with respect to collecting the late payment.

(d) All sums due to Sublandlord from Subtenant hereunder shall constitute Rent under this Sublease and will be subject to all the terms and conditions for payment as set forth in this Sublease.

(e) All rent payments shall be absolutely net to Sublandlord free of taxes, assessments, utility charges, operating expenses, refurbishings, insurance premiums or any other charge or expense in connection with the Premises. Except as otherwise provided herein, all

expenses and charges whether capital or to be expensed, whether for upkeep, maintenance, repair, refurbishing, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Subtenant. This provision is not in derogation of the specific provisions of this Sublease, but in expansion thereof and as an indication of the general intentions of the parties hereto. Any present or future law to the contrary notwithstanding, this Sublease shall not terminate, nor shall Subtenant except as set forth in Sections 3.5, 13 and 14 of the Master Lease, be entitled to any abatement, suspension, deferment, reduction, setoff, counterclaim, or defense with respect to any part of the total rent due under this Sublease, nor shall the obligations of Subtenant hereunder be otherwise affected, by reason of: (1) any defect in the condition, merchantability, design, construction, quality or fitness for use of the Premises or any part thereof, or the failure of the Premises to comply with any legal requirements, including any inability to occupy or use any such Premises by reason of such non-compliance; (2) any damage to, removal, abandonment, salvage, loss, contamination of or release from, scrapping or destruction of or any requisition or taking of any portion of the Premises or any part thereof; (3) any restriction, prevention or curtailment of or interference with the construction on or any use or any portion of the Premises or any part thereof including eviction; (4) any defect in title to or rights to any portion of the Premises or any lien on such title or rights or on any portion of the Premises to the extent that such does not adversely affect Tenant's use or operation of the Premises in any material manner; (5) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by Sublandlord or Landlord or any Senior Lender, as defined in the Master Lease; (6) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to Landlord, Sublandlord, Subtenant or any other person, or any action taken with respect to this Sublease by any trustee or receiver of Landlord, Sublandlord, Subtenant or any other person, or by any court, in any such proceeding; (7) any claim that Subtenant has or might have against any person, including without limitation Landlord, Sublandlord, any Senior Lender, as defined in the Master Lease, or any vendors, manufacturer, contractor of or for any portion of the Premises, except as herein provided otherwise; (8) any failure on the part of Landlord and/or Sublandlord to perform or comply with any of the terms of this Sublease or of any other agreement; (9) any invalidity or unenforceability or illegality or disaffirmance of this Sublease or any provision thereof or hereof against or by Landlord, Sublandlord or Subtenant or of any document or instrument executed in connection with a Senior Loan, as defined in the Master Lease, or by the parties thereto; (10) the impossibility or illegality of performance by Landlord, Sublandlord or Subtenant; (11) any action by any court, administrative agency or other governmental authority; or (12) any other cause or circumstances whether similar or dissimilar to the foregoing and whether or not Landlord, Sublandlord or Subtenant shall have notice or knowledge of any of the foregoing. The obligations of Subtenant under this Lease shall continue to be payable in all events unless such obligations shall be terminated pursuant to the express provisions of this Sublease. Subtenant shall continue to perform its obligations under this Sublease even if Subtenant claims that Subtenant has been damaged by any act or omission of Landlord or Sublandlord. Therefore, except as otherwise provided herein, Subtenant shall at all times remain obligated to pay the Rent under this Sublease without any right of set-off, counterclaim, abatement, deduction, reduction or defense of any kind. Subtenant's sole right to recover damages against Landlord and/or Sublandlord by reason of a breach or alleged breach of Landlord's or Sublandlord's obligations

under this Lease shall be to prove such damages in a separate action against Landlord or Sublandlord, as applicable.

(f) Subject to the last sentence of this Section, and notwithstanding any other provision of this Sublease, all Rent shall be paid to Sublandlord by wire transfer and shall be due without prior notice or demand. If, at any time, the terms of the Master Lease require payment of rent via a lock box arrangement, Subtenant shall comply with such requirements, provided that Landlord and/or Sublandlord has notified Subtenant of such requirement not less than thirty (30) days prior to the applicable payment due date. Subtenant hereby agrees to execute a counterpart of any reasonable direction letter from Sublandlord to Landlord regarding payment of Rent (with complete information) from time to time at the request of Landlord or Sublandlord.

(g) Subtenant shall pay and discharge (including the filing of all required returns) any and all taxes (including, but not limited to, real estate and personal property taxes, business and occupational license taxes, ad valorem sales, use, intangible property, single business, gross receipts, transaction privilege, franchise taxes, business privilege, rent or other excise taxes) and other assessments levied or assessed against Subtenant, any portion of the Premises or any interest therein or Sublandlord or Landlord (with respect to this Sublease and/or the Premises), but excluding any state or federal income tax based upon the net income or gross receipts of Landlord or Sublandlord attributable to the Premises payable by Landlord or Sublandlord (all such taxes and assessments payable by Tenant being collectively referred to herein as "Taxes") prior to delinquency or imposition of any fine, penalty, interest or other cost in accordance with the provisions of the Master Lease. At the commencement and at the end of the Term, all Taxes and assessments shall be prorated.

(h) If required under Section 4 of the Master Lease, Subtenant shall, deposit at the time of each payment of an installment of Minimum Rent, as defined in Schedule 1, its pro-rata share of all applicable impounds.

4. Security Deposit.

(a) No later than the Effective Date, Subtenant shall deposit with Sublandlord an amount equal to Subtenant's pro-rata share of the Security Deposit Amount, as defined in the Master Lease and Michigan Master Lease on a consolidated basis (the "Security Deposit"), as set forth on Schedule 2. The Security Deposit shall be funded either by wire transfer deposited to an account designated by Sublandlord or a Qualifying Letter of Credit, as defined in the Master Lease, delivered to Sublandlord.

(b) Sublandlord may, from time to time, draw on and apply sums held as a security deposit hereunder (or draw against the Qualifying Letter of Credit) upon the occurrence of any Event of Default to cure any Event of Default. Within three (3) Business Days, as defined in the Master Lease, of notice by Sublandlord of any such drawing or application, Subtenant shall deposit additional cash with Sublandlord in the amount so applied as replenishment of the security deposit (if the Security Deposit Amount is in the form of cash) or deliver to Sublandlord a replacement Qualifying Letter of Credit in the full amount of the Security Deposit Amount if the Security Deposit Amount is in the form of a Qualifying Letter of Credit). Sublandlord shall

not be deemed a trustee as to such deposit. Subtenant acknowledges that the Security Deposit Amount, or any portion thereof, and the Qualifying Letter of Credit may be pledged to Senior Lender, as defined in the Master Lease.

5. Compliance with Laws.

Subtenant, at Subtenant's sole expense, shall comply with all applicable laws, rules, orders, ordinances, directions, regulations and requirements of federal, state, county and municipal authorities pertaining to Subtenant's use of the Premises and with any recorded covenants, conditions and restrictions, regardless of when they become effective, including, without limitation, all applicable federal, state and local laws, regulations or ordinances pertaining to air and water quality, Hazardous Materials (as herein defined), waste disposal, air emissions and other environmental, health and safety, zoning and land use matters, and with any directive or order of any public officer or officers, or any insurance carrier, underwriter's association or similar authority pursuant to law, which impose any duty upon Sublandlord or Subtenant with respect to the use or occupation of the Premises. Subtenant and Subtenant's agents, employees, contractors and invitees shall faithfully observe and comply with the terms of the Master Lease as well as all rules and regulations promulgated by the Sublandlord or Landlord for the safety, care or cleanliness of the Premises. Provided, however, Sublandlord shall have no obligation to promulgate such rules or regulations.

6. Alterations.

Subtenant shall make no alterations to the Premises without Sublandlord's prior written consent, which may be granted or denied in Sublandlord's sole discretion and any approved alterations shall be constructed, erected or added only upon full compliance with the reasonable conditions to such consent as well as the terms of the Master Lease. The plans and specifications for the Subtenant improvements (herein called "Plans") are subject to the prior approval of Sublandlord and Landlord. Subtenant shall be solely responsible to assure that the Plans are in compliance with applicable federal, state and local laws, rules, regulations and ordinances. Subtenant shall be obligated to pay all costs of construction for any Subtenant improvements. If Sublandlord grants consent to any requested alterations, the alterations shall be performed in a good, workmanlike and lien free manner in accordance with all applicable legal requirements and any restrictions, which may be imposed by Sublandlord as a condition to its consent. All alterations, changes and additions and all improvements, including the Subtenant improvements made by Subtenant (all such items collectively referred to as "Subtenant's Additions"), whether or not paid for wholly or in part by Sublandlord, shall remain Subtenant's property for the Term of this Sublease. Subtenant's Additions (but not including items used primarily in the conduct of Subtenant's business and commonly considered "trade fixtures") shall immediately upon the termination of this Sublease become Sublandlord's property, be considered part of the Premises, and shall not be removed at or prior to the end of the term of this Sublease without Sublandlord's prior written consent. Upon termination of the Sublease, provided such termination was not due to Subtenant's default, Subtenant shall remove its trade fixtures, inventory and other personal property and shall repair any damage to the Premises caused thereby.

7. Repairs and Maintenance.

Subtenant shall maintain the Premises, at its sole cost, in good, safe, sanitary condition and repair, subject to ordinary wear and tear, and promptly repair or replace any damage caused by Subtenant, its employees, agents, contractors, customers, clients, or other parties lawfully at the Premises. Notwithstanding the foregoing, Subtenant shall at all times keep all parts of the Premises in good order, condition and repair and in a clean, orderly, sanitary and safe condition. At the expiration or earlier termination of this Sublease, Subtenant shall surrender the Premises in the same condition as they were on the Effective Date, reasonable wear and tear excepted, and deliver all keys for and all combinations on locks, safes and vaults in the Premises to Sublandlord.

8. Management Fees.

Subtenant shall engage a manager to operate the Premises pursuant to a management agreement reasonably acceptable to Sublandlord and Landlord, which will provide for a management fee equal to five percent (5%) of the annual gross revenues (after adjustment for contractual adjustments and overpayments by providers, including, without limitation, Medicare and Medicaid) from the operations of the Premises ("Management Fee"). The Management Fee shall be subordinate to Rent and to all other payments required under this Sublease, other than the Percentage Rent set forth on Schedule 1.

9. Landlord's Security Interest.

(a) The parties intend that if Subtenant defaults under this Lease, and Sublandlord or Landlord dispossesses Subtenant, that the Sublandlord or Landlord, as applicable, will control the Tenant Personal Property and the Intangible Property, as defined in the Master Lease, so that Sublandlord or Landlord, as applicable, or its designee can operate or re-let the Premises intact for use as licensed for the Healthcare Use, as defined in the Master Lease, applicable for the Premises.

(b) Therefore, to implement the intention of the parties, and for the purpose of securing the payment and performance of Subtenant's obligations under this Sublease, Subtenant, as debtor, hereby grants to Landlord, as secured party, a security interest in and an express contractual lien upon, all of Subtenant's right, title and interest in and to the Subtenant's Personal Property (defined as Tenant's Personal Property is defined in the Master Lease) and in and to the Intangible Property and any and all products and proceeds thereof, in which Subtenant now owns or hereafter acquires an interest or right, including any leased Subtenant Personal Property. Subtenant shall execute a security agreement granting Landlord the security interests in Subtenant Personal Property, the Intangible Property and any property of a subtenant used in connection with the operation of the Premises (the "Security Agreement"). The security interest granted to Landlord in this Section is intended by Landlord and Subtenant to be a first lien security interest in such property and any security interest granted to Sublandlord shall be a subordinated lien security interest in such property. The liens granted hereunder shall not be inferior or subordinate to any other lien or financing except (i) for purchase money financing for the purchase of Tenant Personal Property, as defined in the Master Lease, and Subtenant Personal Property and (ii) any lien in favor of the Working Capital Lender, as defined in the

Master Lease, associated with Sublandlord's or Subtenants working capital loan as set forth in Section 8.4 of the Master Lease. The Security Agreement and the security interest created therein shall survive the termination of this Sublease if such termination results from the occurrence of an Event of Default.

(c) **Financing Statements.** Prior to the commencement of the Sublease and if required by Landlord or Sublandlord under applicable law at any other time during the Term, Subtenant shall execute and deliver to Landlord, in a form reasonably satisfactory to Landlord, additional security agreements, financing statements, fixture filings and such other documents as Landlord may reasonably require to perfect or continue the perfection of Landlord's security interest in the Tenant and/or Subtenant Personal Property and the Intangible Property (and any subtenant personal property) and any and all products and proceeds thereof now owned or hereafter acquired by Subtenant. Subtenant shall pay all fees and costs that Landlord may incur in filing such documents in public offices and in obtaining such record searches as Landlord or Sublandlord may reasonably require. In the event Subtenant fails to execute any financing statements or other documents for the perfection or continuation of Landlord's security interest, Subtenant hereby appoints Landlord as its true and lawful attorney-in-fact to execute any such documents on its behalf, which power of attorney shall be irrevocable and is deemed to be coupled with an interest.

10. Entry by Landlord and Sublandlord.

Subject to patient privacy laws, Subtenant shall permit Landlord and Sublandlord and their agents and representatives to enter upon the Premises for the purpose and under the conditions set forth in the Master Lease.

11. Indemnification.

Subtenant shall indemnify, defend and hold harmless Landlord, Sublandlord, their affiliates and subsidiaries, and their respective employees, agents, successors, assigns, officers and directors from and against any and all claims, demands, causes of action, damages or penalties arising from Subtenant's use or occupancy of the Premises, from the conduct of Subtenant's business or from any activity, work or things done, permitted or suffered by Subtenant in or upon the Premises, including without limitation, the construction of any Subtenant improvements by Subtenant and from any default under this Sublease. The provisions of this Paragraph 11 shall survive the expiration or earlier termination of this Sublease.

12. Notices.

All notices required to be given hereunder shall be in writing, and shall be served in person upon the party to be notified or upon its agent, or shall be mailed by certified or registered mail or deposited with a nationally recognized overnight carrier, postage prepaid, to the address shown below. Any notice mailed in the manner set forth in this paragraph shall be deemed received by the party to whom it is addressed on the third day after deposit in such manner with the United States Postal Service or upon delivery to the address set forth below by said overnight

carrier. Either party shall have the right to change its principal office by notifying the other party of such change in accordance with this paragraph.

If to Sublandlord:

Grace Master Tenant, LLC
7201 Shallowford Road, Suite 200
Chattanooga, Tennessee 37421
Attn: John P. O'Brien, Jr. and
Craig Taylor

If to Subtenant:

Soddy Daisy Healthcare, LLC
7201 Shallowford Road, Suite 200
Chattanooga, Tennessee 37421
Attn: John P. O'Brien, Jr. and
Craig Taylor

13. Incorporation of Master Lease.

Notwithstanding anything to the contrary herein, in the event of any conflict or inconsistency between any provisions of this Sublease and the provisions set forth in the Master Lease, the provisions of the Master Lease shall control, except with respect to the payment of and/or amount of Rent and the Security Deposit required. Subject to the foregoing, and with respect to the Subtenant only, Sublandlord shall be entitled to the same rights, privileges, options, and remedies available to Landlord under the Master Lease and such rights, privileges, options and remedies are hereby incorporated into this Sublease. Subtenant acknowledges that it is bound by the same responsibilities, limitations, and duties of the "Tenant" under the Master Lease, but only as to the Premises, (subject to the Rent and Security Deposit amounts as set forth on the Schedules attached to this Sublease) and that such responsibilities, limitations, and duties are hereby incorporated into this Sublease and shall be performed by Subtenant, mutatis mutandis. Any capitalized terms in this Sublease, not otherwise defined herein, shall have the meanings given to them in the Master Lease. Notwithstanding any provision in this Sublease to the contrary, the duties, responsibilities and obligations of Subtenant under this Sublease shall not be any greater than the duties, responsibilities and obligations of Sublandlord as tenant under the Master Lease and the rights and remedies of Sublandlord hereunder for Subtenant's default hereunder shall be no greater than the rights and remedies of Landlord under the Master Lease.

14. Option to Renew or Extend.

Subtenant shall have the option or right to renew this Sublease and/or an option or right to extend the Term of this Sublease beyond the expiration date set forth in Paragraph 2 above, if and to the extent Sublandlord has such right under the terms of the Master Lease.

15. Environmental Conditions.

(a) Subtenant shall not cause or permit any Hazardous Materials to be brought upon, kept, used, disposed or generated in or about the Premises by Subtenant, its agents, employees, contractors or invitees without the prior written consent of Sublandlord, which may be granted or denied in Sublandlord's sole discretion. If any Hazardous Material is brought upon the Premises (i) Subtenant agrees that the Hazardous Material must be necessary or useful to Subtenant's business and will be used, kept and stored in a manner that complies with all laws regulating any such Hazardous Material so brought upon or used or kept in or about the Premises; and (ii)

Subtenant shall remove all such Hazardous Material upon the expiration or termination of this Sublease and restore the Premises to a condition satisfactory to Sublandlord.

(b) As used herein, the term "Hazardous Material" shall have the same meaning as in the Master Lease and shall also include any pollutant, toxic substance, regulated substance, hazardous waste, hazardous material, hazardous substance, oil, hydrocarbon, asbestos or similar item as defined in or pursuant to the Hazardous Materials Laws, as that term is defined in the Master Lease.

(c) Subtenant shall immediately advise Sublandlord in writing of (i) any governmental or regulatory actions instituted or threatened under any Hazardous Materials Law affecting the Subtenant or the Premises; (ii) all claims made or threatened by any third party against Subtenant or the Premises relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials; (iii) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Premises that could cause the Premises to be classified in a manner which may support a claim under any Hazardous Materials Law; and (iv) the discovery of any occurrence or condition on the Premises or any real property adjoining or in the vicinity of the Premises which could subject Subtenant or the Premises to any restrictions in ownership, occupancy, transferability or use of the Premises under any Hazardous Materials Law. Sublandlord may elect to join and participate in any settlements, remedial actions, legal proceedings or other actions initiated in connection with any claims under any Hazardous Materials Law and to have its reasonable attorney's fees paid by Subtenant. At its sole cost and expense, Subtenant agrees when applicable or upon request of Sublandlord, to promptly and completely cure and remedy every violation of a Hazardous Materials Law cause by Subtenant, its agents, employees, contractors or invitees.

(d) The obligations of this Paragraph 15 are in addition to any provision in the Master Lease concerning environmental conditions or issues and shall survive the expiration or termination of the Sublease. It is expressly agreed by Subtenant that its indemnification obligations under this Sublease, and all the terms and conditions thereof pursuant to Paragraph 11, apply to this Paragraph 15.

16. Assignment and Subletting.

Subtenant shall have no right to assign this Sublease or any interest therein or to sublet the Premises or any part thereof. Landlord shall have the right, in its sole discretion, to withhold consent to any request from Subtenant with respect to any proposed assignment or subletting. Any such assignment or sub-sublease, even with the approval of the Landlord, shall not relieve Subtenant from liability for payment of all forms of rental and other charges herein provided or from the obligations to keep and be bound by the terms, conditions, and covenants of this Sublease. The acceptance of Rent from any other person shall not be deemed to be a waiver of any of the provisions of this Sublease, or a consent to the assignment or subletting of the Premises. Consent to any assignment or subletting shall not be deemed a consent to any future assignment or subletting. Section 23.2 of the Master Lease is specifically incorporated herein and any change in Control, as defined therein, over the management of the affairs of the Subtenant shall be deemed to be an Assignment of this Sublease.

17. Surrender of Premises.

Subtenant shall immediately vacate and surrender the Premises on the expiration or any earlier termination date of this Sublease, and, subject to Section 9 herein and Section 15.2 of the Master Lease, shall simultaneously remove all of Subtenant's furnishings, equipment, and all other personal property from the Premises. If Subtenant fails to remove any of its property within five (5) days thereafter, Sublandlord shall have the right, in Sublandlord's sole discretion, to deem all or any part of such property abandoned and to remove, store, or dispose of Subtenant's property in any manner it elects without any obligation to account for the value of such property or to make any payment therefor to Subtenant. If Subtenant fails to make repairs to the Premises by the end of the term, the Sublandlord has the right to make repairs and invoice Subtenant for these costs plus Subtenant remains obligated to pay all Rents until repairs are completed. Should Subtenant choose to make their own repairs and the repairs continue past the expiration date, then Subtenant will be obligated to continue paying all Rents until the repairs have been completed.

18. Insurance.

(a) Subtenant shall during the Term of this Sublease, carry all insurance coverages required under the Master Lease naming Landlord and Sublandlord as additional named insureds.

(b) All of Subtenant's insurance policies provided hereunder shall satisfy the conditions set forth in the Master Lease, including Section 5.

19. Landlord's Consent.

This Sublease shall not become effective and shall not be legally binding or enforceable against the parties until Landlord has given its written consent to this Sublease and a copy of the fully executed Master Lease is attached hereto as Exhibit "A."

20. Governing Law.

This Sublease shall be governed by the laws of the state in which the Premises is located.

21. Severability.

If any provision of this Sublease is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Sublease shall not be affected thereby, and this Sublease shall be valid and enforceable to the fullest extent permitted by law.

22. Entire Agreement and Successors.

There are no representations, covenants, warranties, promises, agreements, conditions or undertakings, oral or written, between Sublandlord and Subtenant other than herein set forth. Except as otherwise provided herein, no subsequent alteration, amendment, change or addition to this Sublease shall be binding upon Sublandlord or Subtenant unless in writing and signed by them. All rights and liabilities herein given or imposed upon the respective parties hereto shall bind and inure to the respective heirs, successors, administrators, executors and assigns of the parties and if Subtenant is more than one person, they shall be bound jointly and severally by this Sublease. No rights however, shall inure to the benefit of any assignee of Subtenant unless the assignment was approved by Sublandlord in writing.

23. Subordination and Attornment.

Subtenant accepts this Sublease subject and subordinate to any mortgage, deed of trust, or other lien presently existing on the Premises, to any renewals and extensions thereof or any future mortgage, deed of trust or other lien; but Subtenant agrees that any such mortgagee shall have the right at any time to subordinate such mortgage, deed of trust, or other lien to this Sublease. Sublandlord is hereby irrevocably vested with full power and authority to subordinate this Sublease to any mortgage, deed of trust, or other lien hereafter placed on the Premises and Subtenant agrees on demand to execute such instruments subordinating this Sublease to any such future mortgage, deed of trust or other lien as Sublandlord may request, provided such future subordination shall be on the express condition that this Sublease shall be recognized by the mortgagee, and that the rights of Subtenant shall remain in full force and effect during the Term of this Sublease, so long as Subtenant shall continue to perform all of the covenants and conditions of this Sublease. Subtenant covenants and agrees that upon foreclosure of any deed of trust, mortgage or other instrument of security and the sale of the Premises pursuant to any such document, to attorn to any purchaser at such a sale and to recognize such purchaser as the Sublandlord under this Sublease. This agreement of Subtenant to attorn to any purchaser pursuant to such a foreclosure sale or trustee's sale in the preceding sentence shall survive any such sale.

24. Estoppel Certificate.

(a) Subtenant shall at any time, within five (5) Business Days after the request of Sublandlord, execute, acknowledge and deliver to Sublandlord a statement in writing certifying that this Sublease is unmodified and in full force and effect (or if modified stating the nature of such modification and certifying that the Sublease as modified is in full force and effect), the dates to which the Rent and other charges are paid in advance, if any, and acknowledging that there are not, to Subtenant's knowledge, any uncured defaults on the part of Subtenant hereunder, or specifying such defaults if any are claimed. The parties hereto agree that any such statement may be relied upon by any prospective purchaser or lienholder. Subtenant's failure to deliver such statement within five (5) Business Days after Sublandlord's request for the same, shall be conclusive upon Subtenant that: (i) this Sublease is in full force and effect; (ii) there are no uncured defaults in Sublandlord's performance; (iii) not more than one month's Rent or other charge has been paid in advance; and (iv) this Sublease has not been modified or amended other than as expressly stated.

(b) Subtenant shall at any time, upon the request of Landlord, provide any estoppel certificate or similar statement that Sublandlord is required to provide to Landlord under the terms of the Master Lease.

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Sublease as of the date set forth above.

SUBLANDLORD:

GRACE MASTER TENANT, LLC,
A Delaware limited liability company

By: 

Name: John P. O'Brien, Jr.

Title: Authorized Signatory

Date: _____

SUBTENANT:

SODDY DAISY HEALTHCARE, LLC,
A Tennessee limited liability company

By: 

John P. O'Brien, Jr.

Authorized Signatory

Date: _____

[Signature Page to Sub-Sublease Agreement – Soddy Daisy]

Landlord executes this Sub-Sublease solely to evidence its consent to the Sub-Sublease of the Premises to Subtenant on the terms and conditions set forth in this Sub-Sublease pursuant to Section 23.1 of the Master Lease, and Landlord has no obligations to Subtenant under this Sub-Sublease or otherwise.

LANDLORD:

Crown Master Landlord, LLC, a
Delaware limited liability company

By: 

Christina K. Firth
President

EXHIBIT “A”

MASTER LEASE

SCHEDULE 1 RENT

Rent. During the Term, Subtenant shall pay to Sublandlord Rent as follows:

Initial Term Minimum Rent.

During the first Lease Year, Subtenant shall pay to Sublandlord annualized rent in the amount of ONE MILLION TWO HUNDRED FIFTY SIX THOUSAND SEVEN HUNDRED FOUR Dollars (\$1,256,704.00) ("**Minimum Rent**"). Such Minimum Rent shall be paid in advance by wire transfer only, as directed by Landlord or Sublandlord, in equal monthly installments of One Hundred Four Thousand Seven Hundred Twenty Five and 34/100 Dollars (\$104,725.34) on the first day of each calendar month through December 2011.

Commencing with the 2012 Lease Year (calendar year 2012) and continuing for each Lease Year thereafter during the Initial Term, as defined in the Master Lease, Minimum Rent shall increase by an amount equal to two percent (2%) of the prior Lease Year, as defined in the Master Lease, Minimum Rent, compounded annually.

Percentage Rent.

Commencing with the first Lease Year on a quarterly basis and continuing on a quarterly basis during each Lease Year thereafter, within thirty (30) days after the end of each such calendar quarter subtenant shall pay the estimated Percentage Rent due for the preceding calendar quarter hereunder by wire transfer only.

Within ninety (90) days following the end of each Lease Year, including the first Lease Year, Subtenant shall cause the Auditors to prepare the Percentage Rent Report for such Lease Year in accordance with the provisions of Section 3 of the Master Lease. In the event that the Percentage Rent is greater than the estimated Percentage Rent paid to Sublandlord during such Lease Year, Subtenant shall within thirty (30) days of receipt of such Percentage Rent Report pay to Sublandlord or any applicable assignee an amount equal to the Percentage Rent less the estimated Percentage Rent paid to Sublandlord or any assignee during such Lease Year. In the event that the estimated Percentage Rent paid to Sublandlord or an assignee during the Lease Year is greater than the Percentage Rent due for such Lease Year, Subtenant shall receive a credit against the Minimum Rent due for the next successive period(s) equal to the difference between the estimated Percentage Rent paid to Sublandlord or the assignee during the Lease Year and the Percentage Rent due for such Lease Year; provided, however, that Subtenant's credit in any month shall not exceed an amount that would cause Landlord to violate any of the financial covenants contained in any of the loan documents between Landlord and Senior Lender.

Excess Cash Flow shall be determined by the Auditors, as defined in the Master Lease, in accordance with the terms of the Master Lease. Subtenant shall provide the Excess Cash Flow

report of the Auditors to Landlord within ninety (90) days following the end of each Lease Year (**"Percentage Rent Report"**).

Sublandlord reserves the right to object to the Percentage Rent Report within fifteen (15) days of Sublandlord's receipt of such report. In the event Sublandlord or Landlord objects to the Percentage Rent Report, Sublandlord or Landlord shall provide Tenant timely written notice of the dispute. Sublandlord and Tenant shall confer and attempt to resolve such dispute within thirty (30) days of the date of such notice.

Provided Landlord and/or Sublandlord, as applicable, has timely and properly objected to the Percentage Rent, Landlord and/or Sublandlord, as applicable, and its accountants and representatives, at Landlord's or Sublandlord's, as applicable, expense, except as hereinafter provided, shall have the right within sixty (60) days from the date of delivery of the Percentage Rent Report and not thereafter to review such records and to audit the Percentage Rent Report for the immediately preceding Lease Year provided by Subtenant, subject to any legal prohibitions or limitations on disclosure of any such records under applicable law or regulation, including, without limitation, patient privacy laws. If any such audit, after all adjustments and resolution of Subtenant's objections, discloses a deficiency of greater than three percent (3%) of the Percentage Rent due and owing, Subtenant shall promptly pay to Sublandlord any reasonable costs incurred by Sublandlord and/or Landlord in conducting the audit. If any such audit discloses a deficiency of any amount in the payment of Percentage Rent, Subtenant shall promptly pay to Sublandlord the amount of the deficiency, together with interest thereon at the Agreed Rate, as defined in the Master Lease, from the date when such payment should have been made to the date of payment thereof. If Subtenant objects to the results of Landlord's or Sublandlord's audit, Tenant shall provide Landlord or Sublandlord, as applicable, written notice within ten (10) days of receipt of Landlord's or Sublandlord's notice to Subtenant of a deficiency in the amount of Percentage Rent. Landlord and Subtenant shall confer and attempt to resolve such difference within thirty (30) days of the date of Subtenant's notice.

At Sublandlord's sole option in connection with a Capital Event or a REIT Event of Landlord, as defined in the Master Lease, Sublandlord may either: (i) assign to a third party the right to receive the Percentage Rent by providing written notice of such intent to Subtenant at least thirty (30) days prior to the beginning of a calendar quarter, and Subtenant and such Sublandlord's assignee shall enter into a written agreement pursuant to which Subtenant shall pay to such assignee all Percentage Rent on the same terms and conditions, and subject to the same rights and obligations, set forth herein, provided that such party and its representatives shall enter into all applicable patient confidentiality agreements as may reasonably be necessary, and provided further that in such event, commencing on the first day of such calendar quarter, Subtenant shall no longer be obligated to pay Percentage Rent under this Lease to Sublandlord and shall pay such Percentage Rent instead to such assignee; or (ii) terminate Subtenant's obligation to pay Percentage Rent and increase Minimum Rent to an amount equal to the sum of Minimum Rent in effect for the Lease Year in which such conversion occurs plus an amount equal to the average annual Percentage Rent paid during the immediately preceding twenty-four (24) month period.

Renewal Term Minimum Rent.

The Minimum Rent for the first year of each Renewal Term shall be reset and expressed as an annual amount but shall be payable in advance in equal monthly installments by wire transfer only on the first Business Day of each calendar month. Such annual Minimum Rent shall be determined by Sublandlord based upon the Renewal Term Minimum applicable rent required pursuant to the terms of the Master Lease.

During each Renewal Term, Tenant shall continue to pay to Sublandlord Percentage Rent in addition to the Minimum Rent in accordance with the terms hereof unless Sublandlord has exercised its option to either assign or terminate Percentage Rent as set forth herein.

SCHEDULE 2
SECURITY DEPOSIT

Soddy Daisy Health Care: 14.3% of \$1,500,000 Security Deposit

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MASTER SUBLEASE AND SECURITY AGREEMENT

EXECUTION VERSION

MASTER SUBLEASE AND SECURITY AGREEMENT

By and Between

CROWN MASTER LANDLORD, LLC

a Delaware limited liability company,

as “Landlord”

and

GRACE MASTER TENANT, LLC

a Delaware limited liability company

as “Tenant”

dated as of January 21, 2011

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EXHIBITS:

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EXHIBIT B	LEGAL DESCRIPTION OF PROPERTY
EXHIBIT C	PERMITTED EXCEPTIONS
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SCHEDULES

SCHEDULE 1	LICENSED BEDS
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MASTER SUBLEASE AND SECURITY AGREEMENT

THIS MASTER SUBLEASE AND SECURITY AGREEMENT ("Lease") is made and entered into as of the 21st day of January, 2011, by and between **CROWN MASTER LANDLORD, LLC**, a Delaware limited liability company (the "Landlord"), and **GRACE MASTER TENANT, LLC**, a Delaware limited liability company (the "Tenant"), with reference to the following Recitals:

RECITALS

A. As of the Effective Date, Landlord is the lessee of that certain real property, all improvements thereon and all appurtenances thereto, as located, identified and more specifically described on Exhibit A attached hereto (together, or individually as the context requires, the "Property"), the legal description of which is set forth in Exhibit B attached hereto, pursuant to ~~that certain Multi-State Master Lease and Security Agreement dated January 21, 2011 between~~ Crown Pace Street, LLC, Crown Sequoyah Road, LLC, each a Tennessee limited liability company, Crown Walden Road, LLC, Crown Braddock Road, LLC, each a Virginia limited liability company, Crown Sixty-Sixth Street, LLC, Crown Tenth Avenue, LLC, each a Florida limited liability company, and Crown Academy Road, LLC, a Maryland limited liability company (together, the "Prime Landlord") and Landlord, as lessee (the "Prime Lease").

B. Landlord is the lessee of all the furniture, machinery, equipment, appliances, fixtures, supplies, inventory and other personal property located on and used or required in connection with the operation of the Property, pursuant to the Prime Lease, except for any assets owned by the manager of the Property (the "Landlord Personal Property") for the Healthcare Use (as defined below).

C. Landlord desires to sublease the Property and the Landlord Personal Property to Tenant, and Tenant desires to lease the Property and the Landlord Personal Property from Landlord. The Property and Landlord Personal Property shall be referred to herein collectively as the “Premises.”

D. Landlord and Tenant are simultaneously entering into a master sublease for separate Premises (the “Michigan Facilities”) located in Michigan (the “Michigan Master Sublease”), which is subject to a lease between the Michigan property owners and Landlord (the “Michigan Prime Lease”).

E. This Lease and Tenant’s rights pursuant to this Lease are subject and subordinate at all times to the Prime Lease and to all of the covenants and agreements of the Prime Lease, the terms of which are specifically incorporated herein by reference. Landlord hereby expressly agrees to comply with the Prime Lease during the Term. Tenant hereby expressly agrees during the Term (as hereinafter defined) to be subject to, to be bound by and to observe, and this Lease shall be deemed to contain, all of the covenants, stipulations, restrictions, agreements and other provisions contained in the Prime Lease, but only to the extent the same are applicable to the Premises, except as expressly modified, excluded or otherwise addressed in this Lease. This Lease complies with the terms of the Prime Lease and Tenant has no additional obligations under the Prime Lease, except as set forth herein.

F. Tenant intends to sublease each facility included in the Premises (each, a “Facility” and, together with the Michigan Facilities, the “Facilities”) pursuant to seven (7) sublease agreements with certain subtenant operator entities.

**RECOGNITION OF MASTER LEASE;
IRREVOCABLE WAIVER OF CERTAIN RIGHTS**

Tenant, in order to induce Landlord to enter into this Lease, to the extent permitted by law:

A. Agrees that: (i) this Lease is a single lease under which the collective Premises are demised as a whole to Tenant and Tenant is estopped to assert that this Lease is anything other than a unitary, indivisible, unseverable instrument pertaining to all, and not less than all, of the Premises; and (ii) neither this Lease nor the duties, obligations or rights of Tenant may be allocated or otherwise divided among the Properties comprising the Premises by Tenant, except to the extent expressly set forth in this Lease;

B. Agrees and is estopped to assert that this Lease in any manner makes Tenant the partner, joint venturer or agent of Landlord;

C. Knowingly waives and relinquishes all rights under or benefits of the provisions of Section 365 of the United States Bankruptcy Code (11 U.S.C. § 365), or any successor or replacement provision or any analogous state law, to selectively assume or reject this Lease with respect to individual Properties as listed on Exhibit A, should, notwithstanding the provisions above, this Lease be determined or found to be in any proceeding, action or arbitration under state or federal bankruptcy, insolvency, debtor-relief or other applicable laws to constitute multiple leases demising multiple properties;

D. Agrees that: (i) this Lease is a “true lease” and is estopped to assert that it is a mortgage, equitable mortgage, deed of trust, trust agreement or other financing or trust arrangement; (ii) the economic realities of this Lease are those of a true lease; (iii) the business relationship created by this Lease is solely that of a long-term commercial lease between Landlord and Tenant and has been entered into by both parties in reliance on the economic and

legal bargains contained in it; and (iv) the parties intend that this Lease be regarded as a commercial lease and that upon making a motion for assumption or rejection of the Lease in the event of bankruptcy, Landlord shall have such rights as are applicable to non-residential real estate; and

E. Agrees and is estopped to assert to the contrary that: (i) from an economic point of view the portions of the Premises leased under this Lease constitute one economic unit and the rent and all other provisions have been negotiated and agreed upon based on a demise of all of the Premises covered by this Lease as a single, composite, inseparable transaction; (ii) except as expressly set forth in this Lease, all provisions of this Lease shall apply equally and uniformly to all the Premises as one unit and are not severable; (iii) the economic terms of this Lease would have been substantially different had separate leases for a “divisible” lease been acceptable to Landlord; (iv) except as expressly set forth in this Lease, a default in any of the terms or conditions of this Lease occurring with respect to any portion of the Premises shall be a default under this Lease with respect to all of the Premises; and (v) the provisions of this Lease shall at all times be construed, interpreted and applied such that the intention of Landlord and Tenant to create a unitary lease shall be preserved and maintained.

A G R E E M E N T

NOW THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein, Landlord and Tenant hereby agree as follows:

1. **Definitions.** As used herein (including any Exhibits and Schedules attached hereto), the following terms shall have the following meanings:

“Adjusted EBITDAR” shall mean, for any period, the sum of the following items: (i) Excess Cash Flow plus (ii) an amount equal to the actual amount expended for Capital

Expenditures not to exceed an amount equal to Five Hundred and 00/100 Dollars (\$500.00) per Licensed Bed per annum plus any sum in excess of such amount that is required by Landlord or Senior Lender for Capital Expenditures plus (iii) the actual amount of all Minimum Rent paid by Tenant for such period plus (iv) interest in connection with the Working Capital Financing made to Tenant described in Section 8.4 below.

"Affiliate" shall mean, with respect to any Person, any other Person which Controls, is Controlled by or is under common Control with the first Person.

"Auditors" means Matheney Stees & Associates, P.C., or any of the Big Four accounting firms as selected by Tenant from time to time with written notice to Landlord or such other regional or national accounting firms selected by Tenant and approved by Landlord, which approval shall not be unreasonably withheld.

"Business Day(s)" shall mean Monday through Friday of each week, exclusive of Holidays.

"Capital Event" shall mean the sale, recapitalization, refinancing, change in Control, transfer, merger, conveyance or other capital event with respect to all or substantially all of the Premises or the entities comprising Landlord or Tenant in a single transaction or a series of transactions.

"Capital Expenditures" shall mean expenditures with respect to one or more of the Facilities (i) that are for the benefit of such property, (ii) that are capitalized in accordance with GAAP and (iii) other expenditures as Landlord, Senior Lender and Tenant may agree.

"Capital Expenditure Documents" shall mean (i) copies of paid invoices for the amounts of the Capital Expenditures then being requested (**"Cap Ex Costs"**), (ii) a brief

description of the items (including evidence that pursuant to GAAP such expenditure should be capitalized), (iii) any contracts for Capital Expenditures, (iv) lien waivers and releases from all parties furnishing materials and/or services for the Cap Ex Costs, (v) evidence that all required consents or approvals from government authorities have been obtained, and (vi) such other documents as Senior Lender may reasonably require.

“Control” or **“Controlled”** shall mean, as applied to any Person, the possession, directly or indirectly, of the power to direct the management and policies of that Person, whether through ownership, voting control, by contract or otherwise.

“Current Assets” means all assets of Tenant and Subtenants that in conformity with GAAP and past practices should be classified as current assets on the balance sheet of Tenant and Subtenants, respectively, during such period.

“Current Liabilities” means all liabilities of Tenants and Subtenants that in conformity with GAAP and past practices should be classified as current liabilities on the balance sheet of Tenant and Subtenants for such period, provided that, the following liabilities shall be excluded from the definition of Current Liabilities: (i) amounts due to Manager under the Management Agreements, (ii) amounts due to Manager, including any balances due under existing Management Agreements, or to any Affiliate of Tenant, as of the Effective Date, and (iii) advances or loans made by Affiliates of Tenant to Tenant after the Effective Date. As to (ii) and (iii) above, such liabilities shall only be paid from Excess Cash Flow after the payment of Percentage Rent to Landlord.

“Current Ratio” means, at any time, the ratio of Current Assets at such time to Current Liabilities at such time.

“Debt” means, as of any date, all of the following: (a) obligations of a Person for borrowed money, whether current or long term, that in accordance with GAAP should be included as liabilities on such Person’s balance sheet; (b) the capitalized amount (determined in accordance with GAAP) of obligations of such Person under leases required to be capitalized in accordance with GAAP for financial reporting purposes, excluding any Minimum Rent payments due under this Lease and Capital Expenditures; (c) obligations of others for which such Person is liable directly or indirectly by way of guaranty (whether by direct guaranty, suretyship, discount, endorsement, take-or-pay agreement, agreement to purchase or advance or other agreement having the effect of a guaranty) or otherwise; (d) liabilities and obligations secured by liens on any assets of such Person, whether those liabilities or obligations are recourse to such Person; and (e) liabilities of such Person, direct or contingent, with respect to letters of credit issued for the account of such Person or others or with respect to bankers’ acceptances created for such Person; provided, however, “Debt” shall not include trade payables incurred or guaranteed in the ordinary course of business or as otherwise permitted by this Lease.

“Effective Date” shall mean January 21, 2011.

“Encumbrance” shall have the meaning set forth in Section 18.

“Environmental Activities” shall mean the use, generation, spilling, depositing, leaching, dumping, transportation, handling, discharge, production, treatment, storage, release or

disposal of any Hazardous Materials to or from any portion of the Premises or caused to be located on or present on or under any portion of the Premises during the Term.

“Environmental Costs” include interest, costs of response, removal, remedial action, containment, cleanup, investigation, design, engineering and construction, damages (including actual, consequential and punitive damages) for personal injuries and for injury to, destruction of or loss of property or natural resources, relocation or replacement costs, penalties, fines, charges or expenses, attorney’s fees, expert fees, consultation fees, and court costs, and all amounts paid in investigating, defending or settling any of the foregoing.

“Event of Default” shall have the meaning set forth in Section 11.1.

“Excess Cash Flow” shall mean, for any period, all gross operating revenues with respect to the Premises (including, without limitation, all allowances for contractual discounts and bad debt allowance) less Operating Expenses (defined below) with respect to the Premises and less the following additional items: (i) an amount equal to the actual amount expended for Capital Expenditures not to exceed Five Hundred Dollars (\$500.00) per Licensed Bed per annum plus any sum in excess of such amount that is required by Landlord or Senior Lender pursuant to Section 6 hereof; (ii) interest in connection with the Working Capital Financing made to Tenant described in Section 8.4 below; and (iii) Minimum Rent; and (iv) the Management Fee. **“Operating Expenses”** shall mean all normal and customary operating expenses incurred by Tenant and Subtenant in connection with the Premises during any applicable period but excluding the following items: (a) any interest expense and loan fees in connection with any loans other than the Working Capital Financing described above; (b) any management fees other than the Management Fee; (c) state or federal income taxes, whether paid or deferred, made during such period; and (d) the aggregate amount of depreciation and

amortization expenses for such period. The determination of Excess Cash Flow and Operating Expenses as described herein shall be made in accordance with GAAP. For the avoidance of doubt, and subject to the review and agreement of Landlord and Tenant as to each item, items classified as extraordinary or non-recurring expenses under GAAP, any expense or revenue adjustment which results from a Medicare or Medicaid audit, any uninsured claim for litigation, any changes in applicable laws, or any other extraordinary or non-recurring expense item, shall be excluded from Operating Expenses for the purposes of determining Excess Cash Flow.

“Fixed Charge Coverage Ratio” means, at any time, the ratio of Excess Cash Flow at such time to Fixed Charges at such time.

“Fixed Charges” means, at any time, the sum of (i) all interest expense obligations of Tenant and Subtenants; plus (ii) scheduled principal payments on all debt obligations of Tenant and Subtenants; plus (iii) expenses relating to all capitalized leases of Tenant and Subtenants but excluding any such expenses of Tenants and Subtenants under this Lease, except as provided herein; plus (iv) Percentage Rent under this Lease; plus (v) dividends and distributions of Tenant and Subtenants, if any; plus (vi) income tax obligations of Tenant and Subtenants (but not less than zero), all determined on a consolidated basis and in conformity with GAAP.

“Full Insurable Value” shall mean the actual replacement value of the Premises (including all improvements, but excluding land) and every portion thereof, including the cost of compliance with changes in zoning and building codes and other laws and regulations, demolition and debris removal and increased cost of construction.

“GAAP” shall mean generally accepted accounting principles consistently applied.

“Hazardous Materials” shall mean (a) any petroleum products and/or by-products (including any fraction thereof), flammable substances, explosives, radioactive materials, hazardous or toxic wastes, substances or materials, known carcinogens or any other materials, contaminants or pollutants which pose a hazard to any portion of the Premises or to Persons on or about any portion of the Premises or cause any portion of the Premises to be in violation of any Hazardous Materials Laws; (b) asbestos in any form which is friable; (c) urea formaldehyde in foam insulation or any other form; (d) transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million or any other more restrictive standard then prevailing; (e) medical wastes and biohazards; (f) radon gas; and (g) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of any portion of the Premises or the owners and/or occupants of property adjacent to or surrounding any portion of the Premises, including, without limitation, any materials or substances that are listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) as amended from time to time.

“Hazardous Materials Claims” shall mean any and all enforcement, clean-up, removal or other governmental or regulatory actions, or notices of material violations, or orders threatened, instituted or completed pursuant to any Hazardous Material Laws, together with all claims, causes of actions, demands, proceedings or suits made or threatened by any third party against any portion of the Premises, Landlord or Tenant relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials.

“Hazardous Materials Laws” shall mean any federal, state and local laws, ordinances, regulations, rules, orders, guidelines or policies relating to the environment, health and safety, Environmental Activities, Hazardous Materials, air and water quality, waste disposal and other environmental matters as any of the foregoing now exist or may hereafter be changed, amended, reauthorized or come into effect.

“Healthcare Requirements” shall mean all applicable requirements imposed by federal, state and local statutes, rules and regulations for the maintenance and operation of the Premises as a skilled nursing facility.

“Healthcare Use” shall mean the use and operation by Tenant or any Subtenant of the Premises as a skilled nursing facility, together with such ancillary services as are customary, including rehabilitation therapy and adult day care.

“Holidays” means New Years Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and any other nationally or regionally recognized holiday.

“Indemnification Claim” means any claim made by a Purchaser Indemnified Party pursuant to the Purchase Agreement

“Indemnity Escrow” means that certain escrow account maintained by Sellers pursuant to Section 1.5 of the Purchase Agreement.

“Initial Term” shall have the meaning set forth in Section 2.2.

“Intangible Property” shall mean all accounts, proceeds of accounts, rents, profits, income or revenue derived from the use of rooms or other space within the Premises or

the providing of services in or from any portion of the Premises; documents, chattel paper, instruments, contract rights, deposit accounts, general intangibles, now owned or hereafter acquired by Tenant or any Subtenant (including any right to any refund of any taxes or other charges heretofore or hereafter paid to any governmental authority) arising from or in connection with Tenant's or any Subtenant's operation or use of any portion of the Premises; Tenant's or any Subtenant's rights in any personal property leases affecting the Premises, management agreements, service contracts, equipment leases, maintenance agreements and construction equipment and other warranties affecting the Premises; all licenses and permits now owned or hereinafter acquired by Tenant or Subtenants, necessary or desirable for the use of any portion of the Premises under this Lease; and the right to use any trade or other name now or hereafter associated with the operation of any portion of the Premises by Tenant or Subtenants, including, without limitation, the name set forth on Exhibit A attached hereto.

"Landlord" shall mean Crown Master Landlord, LLC, a Delaware limited liability company, and its successors and assigns.

"Landlord Personal Property" shall have the meaning set forth in the Recitals, including any replacements or substitutes for the items described in the Recitals.

"Lease" shall mean this Lease and Security Agreement as the same may be amended from time to time in accordance with the terms hereof.

"Lease Year" shall mean the twelve (12) month periods commencing on January 1 of each year. Notwithstanding anything to the contrary contained herein, the first Lease Year shall commence on the date hereof and end on December 31, 2011.

“Licensed Bed” shall mean beds that are licensed by the applicable State for skilled nursing facility use.

“Management Fee” shall mean an amount equal to five percent (5%) of the annual gross revenues realized from the operation of the Premises (after adjustments for contractual adjustments and overpayment by providers) payable to the Manager.

“Manager” shall mean Grace Healthcare, LLC, its permitted successors and assigns.

“Minimum Rent” shall have the meaning set forth in Section 3.

“Percentage Rent” shall mean, for any period, fifty percent (50%) of Excess Cash Flow for such period, but in no event less than zero, and which constitutes a material portion of the rent to be paid to Landlord for the Premises hereunder.

“Percentage Rent Report” shall have the meaning set forth in Section 3.

“Person” shall mean any individual, partnership, association, corporation, limited liability company or other entity.

“Portfolio Coverage Ratio” shall mean, at any time, the ratio of Adjusted EBITDAR at such time, to Minimum Rent.

“Premises” shall have the meaning set forth in the Recitals.

“Property” shall have the meaning set forth in the Recitals.

“Purchase Agreement” shall mean that certain Asset Purchase Agreement among Abingdon Investments & Associates, LLC, Frederick/Catonsville, LLC, Riverview

Property Investments, LLC, Leewood Property Investments, LLC, Raintree Property Investments, LLC, Soddy Daisy Property Investment, LLC, Riveridge Investments & Associates, LLC, Royal Palm Property Investment, LLC, Jacaranda Property Investment, LLC (collectively, “**Sellers**”), Byron DeFoor, John O’Brien, Sunland Healthcare Fund I, LLC, Sunland Associates, Inc. (collectively, “Principals”), Riveridge Investments & Associates, LLC, Riverview Investments & Associates, LLC, Raintree Investments & Associates, LLC, Soddy Daisy Healthcare, LLC, St. Petersburg Nursing Home, LLC, Sunland-Vero Beach, LLC, Cedar Lawn Investments, LLC, Leewood Investments & Associates, LLC, Frederick Villa Investments & Associates, LLC (collectively, “Operators”), Tenant, Manager, as Seller’s Agent, Crown Wells Street, LLC, Crown Wilbur Road, LLC, Crown Pace Street, LLC, Crown Walden Road, LLC, Crown Sequoyah Road, LLC, Crown Sixty-Sixth Street, LLC, Crown Braddock Road, LLC, Crown Tenth Avenue, LLC and Crown Academy Road, LLC (collectively, “**Purchasers**”) and FC/SAFANAD Senior Care Properties – Grace, LLC, as Purchaser’s Agent, dated January 21, 2011.

“**Qualifying Letter of Credit**” shall mean an irrevocable, direct pay letter of credit with a face value of the Security Deposit Amount, in form and substance reasonably satisfactory to Landlord and Senior Lender, issued by a commercial bank organized under the federal laws of the United States of America and having a minimum long-term unsecured debt rating at all times of “AA” from Standard & Poor’s Rating Group (“**S&P**”) or “Aa3” from Moody’s Investors Service (“**Moody’s**”) and which provides for assignment without consent or fee.

“**REIT**” shall mean a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code.

“REIT Event” shall mean any event by which Landlord (a) becomes a REIT; (b) becomes wholly or partially owned, directly or indirectly, by a REIT; or (c) sells or conveys all or part of the Premises to a REIT.

“REIT Event Notification Date” shall mean the date on which Landlord notifies Tenant of the occurrence or anticipated occurrence of a REIT Event.

“Renewal Term” shall have the meaning set forth in Section 2.3.

“SEC” shall mean the Securities and Exchange Commission.

“Security Deposit Amount” shall have the meaning set forth in Section 12.1.

“Senior Lender” shall mean any senior lender(s) providing a Senior Loan.

“Senior Loan” shall mean any loan secured by a first priority mortgage on the Premises.

“State” means individually the state or collectively the states in which the Premises is located.

“Subleases” means the subleases which are reasonably acceptable to Landlord and pursuant to which the Premises are sublet to the Subtenants.

“Subtenant(s)” means the entities described on Exhibit F attached hereto and their successors and assigns as permitted under this Lease.

“Tenant” shall mean **GRACE MASTER TENANT, LLC**, a Delaware limited liability company, and its permitted successors and assigns.

“Tenant Personal Property” shall have the meaning set forth in Section 8.1.

“Tenant’s Principals” shall mean P. Byron DeFoor, a resident of Tennessee, John P. O’Brien, Jr., a resident of Tennessee, Sunland Associates, Inc., a Georgia corporation and Sunland Healthcare Fund I, LLC, a Delaware limited liability company.

“Term” shall mean the Initial Term and, if applicable, the Renewal Term(s).

“Working Capital Financing” shall have the meaning set forth in Section 8.4.

2. Demise; Term.

2.1 Demise. Landlord hereby leases unto Tenant the Premises for the Term and upon the conditions and provisions set forth herein.

2.2 Term. The term of this Lease shall commence at 12:01 a.m. on the Effective Date and shall end on December 31, 2020 (the **“Initial Term”**), unless extended pursuant to Sections 2.3 or 22.6 or earlier terminated in accordance with the provisions hereof.

2.3 Renewal Terms. The Term may be extended for two (2) separate renewal terms (each, a **“Renewal Term”** and collectively, the **“Renewal Terms”**) of five (5) years each, upon the satisfaction of all of the following terms and conditions:

2.3.1 Tenant shall provide written notice to Landlord not earlier than twelve (12) months and not later than six (6) months before the expiration of the Initial Term or the applicable Renewal Term, as applicable, of Tenant’s intention to extend the Initial Term or the then current Renewal Term, as applicable.

2.3.2 There shall be no Event of Default, which shall be continuing and uncured within any applicable cure period, or the occurrence of any event which except for the proper notice or the passage of time would become an Event of Default, under this

Lease, either on the date of Tenant's notice to Landlord pursuant to Section 2.3.1 above, or on the last day of the Initial Term or first Renewal Term, as applicable.

2.3.3 Tenant shall occupy the Premises and use the Premises for the Healthcare Use.

All other provisions of this Lease shall remain in full force and effect and shall continuously apply throughout the Renewal Term.

3. Rent. During the Term, Tenant shall pay to Landlord rent as follows:

3.1 Initial Term Minimum Rent.

(a) During the Initial Term, Tenant shall pay to Landlord annualized rent in the amount of SEVEN MILLION SIX HUNDRED THOUSAND TWO HUNDRED NINETY SIX and 00/100 Dollars (\$7,600,296.00) ("**Minimum Rent**"). Such Minimum Rent shall be paid in advance, without notice, demand or offset, by wire transfer only, as directed by Landlord, in equal monthly installments of SIX HUNDRED THIRTY THREE THOUSAND THREE HUNDRED FIFTY EIGHT and 00/100 Dollars (\$633,358.00) on the first day of each calendar month. In the event that the Effective Date of the Lease is other than the first day of a calendar month, such monthly installment of Minimum Rent shall be pro-rated and payable on the Effective Date.

(b) Commencing with the second Lease Year and continuing for each Lease Year thereafter during the Initial Term, Minimum Rent shall increase by an amount equal to two percent (2%) of the prior Lease Year's Minimum Rent, compounded annually.

3.2 Percentage Rent.

(a) Commencing with the first Lease Year on a quarterly basis and continuing on a quarterly basis during each Lease Year thereafter, within thirty (30) days after the end of each quarter, and concurrent with its payment of Minimum Rent for the month in which such payment is due, Tenant shall pay the estimated Percentage Rent, based on the monthly financial statements for such quarter prepared in accordance with Section 10.1 herein, due for the preceding quarter (ex. estimated Percentage Rent for the first quarter shall be due on or before May 1 of each Lease Year). Notwithstanding anything herein to the contrary, Percentage Rent shall be calculated on a consolidated basis for all Facilities and the Michigan Facilities.

(b) Excess Cash Flow shall be determined quarterly by Tenant and annually by the Auditors, who shall also prepare the audited financial statements required in Section 10. Tenant shall provide the (i) quarterly Excess Cash Flow statements within sixty (60) days following each fiscal quarter and (ii) annual Excess Cash Flow report of the Auditors to Landlord within ninety (90) days following the end of each Lease Year ("Percentage Rent Report").

(c) Within ninety (90) days following the end of each Lease Year, including the first Lease Year, Tenant shall cause the Auditors to prepare the Percentage Rent Report for such Lease Year in accordance with GAAP and the Percentage Rent Report shall be certified true and correct by the Chief Financial Officer or the Managing Member of the Manager of the Tenant and the Auditor and delivered to Landlord. In the event that the Percentage Rent is greater than the estimated Percentage Rent paid to Landlord during such Lease Year, Tenant shall within thirty (30) days of receipt of such Percentage Rent Report pay to Landlord an amount equal to the Percentage Rent less the

estimated Percentage Rent paid to Landlord during such Lease Year. In the event that the estimated Percentage Rent paid to Landlord during the Lease Year is greater than the Percentage Rent due for such Lease Year, Tenant shall receive a credit against the next monthly installment of Minimum Rent due equal to the difference between the estimated Percentage Rent paid to Landlord during the Lease Year and the Percentage Rent due for such Lease Year and any amount owed in excess of the credit against Minimum Rent for such period shall be refunded directly to the Tenant; provided, however, that Tenant's credit in any month shall not exceed an amount that would cause Landlord to violate any of the financial covenants contained in any of the loan documents between Landlord and Senior Lender.

(d) Landlord reserves the right to object to the Percentage Rent Report. In the event Landlord objects to the Percentage Rent Report, Landlord shall provide Tenant written notice within thirty (30) days of receipt of the Percentage Rent Report. Landlord and Tenant shall confer and attempt to resolve such dispute within thirty (30) days of the date of such notice.

(e) Landlord and its accountants and representatives, at Landlord's expense except as hereinafter provided, shall have the right within sixty (60) days from the date of delivery of the Percentage Rent Report to review such records and to audit the Percentage Rent Report for the immediately preceding Lease Year provided by Tenant, subject to any legal prohibitions or limitations on disclosure of any such records under applicable law or regulation, including, without limitation, such limitations as may be necessary to preserve the confidentiality of the physician-patient privilege. If any such audit discloses a deficiency of more than the greater of Ten Thousand Dollars

(\$10,000.00) or three percent (3%) in the payment of Percentage Rent, Tenant shall promptly pay to Landlord any reasonable costs incurred by Landlord in conducting the audit. If any such audit discloses a deficiency of any amount in the payment of Percentage Rent, Tenant shall promptly pay to Landlord the amount of the deficiency, together with interest thereon at the Agreed Rate, as defined in Section 11.4, from the date when such payment should have been made to the date of payment thereof. If Tenant objects to the results of Landlord's audit, Tenant shall provide Landlord written notice within ten (10) days of receipt of Landlord's notice to Tenant of a deficiency in the amount of Percentage Rent. Landlord and Tenant shall confer and attempt to resolve such difference within thirty (30) days of the date of Tenant's notice. In the event such difference is not resolved, the results of Landlord's audit shall control.

(f) At Landlord's sole option, in connection with a Capital Event or a REIT Event, Landlord may either: (i) assign to a third party the right to receive Percentage Rent by providing written notice of such intent to Tenant at least thirty (30) days prior to the beginning of a calendar quarter, and Tenant and such Landlord's assignee shall enter into a written agreement pursuant to which Tenant shall pay to such assignee all Percentage Rent on the same terms and conditions, and subject to the same rights and obligations, set forth herein, but Landlord shall not be released from any obligations hereunder. In such event, commencing on the first day of such calendar quarter, Tenant shall no longer be obligated to pay Percentage Rent under this Lease to Landlord and shall pay such Percentage Rent instead to such assignee; or (ii) terminate Tenant's obligation to pay Percentage Rent and increase Minimum Rent to an amount equal to the sum of Minimum Rent in effect for the Lease Year in which such conversion occurs ("Termination Year") plus an amount equal to the average annual Percentage Rent paid during the immediately preceding

twenty-four (24) month period, by providing written notice of such termination to Tenant at least thirty (30) days prior to the beginning of a calendar quarter, and in such event, the parties will enter into an amendment modifying this Lease to effect such changes in Minimum Rent commencing on the first day of such calendar quarter.

(g) During each Renewal Term, Tenant shall continue to pay to Landlord Percentage Rent in addition to Minimum Rent in accordance with this Section 3.2 unless Landlord has exercised its option to either assign or terminate Percentage Rent as set forth above in Section 3.2(f).

3.3 Renewal Term Minimum Rent.

3.3.1 The Minimum Rent for the first Lease Year of each Renewal Term shall be reset and expressed as an annual amount but shall be payable in advance in equal monthly installments by wire transfer only on the first day of each calendar month. Such annual Minimum Rent shall be equal to the greater of:

(a) One hundred two percent (102%) of the Minimum Rent for the last year of the Initial Term of the Lease or the applicable Renewal Term; and

(b) The Minimum Rent as of the Effective Date multiplied by the change in the index known as the Consumer Price Index for All Urban Consumers, All Items, U.S. City Average (CPI-U) (1982/4=100) as published by the Bureau of Labor Statistics, U.S. Department of Labor (Price Index) since the Effective Date. Such adjustment shall be accomplished by multiplying the Minimum Rent as of the Effective Date by a fraction, the numerator of which shall be the Price Index as of the month in which the Effective Date of the first Renewal Term occurs and the denominator of which

shall be the Price Index as of the Effective Date. If the Price Index shall be discontinued with no successor or comparable successor index, the parties shall use any other nationally recognized cost of living index then issued and available and selected by Landlord.

3.3.2 Beginning in the second Lease Year of the applicable Renewal Term, and continuing each Lease Year of the applicable Renewal Term thereafter, Minimum Rent shall increase by 2% per year compounded annually.

3.4 Proration for Partial Periods; Business Days. The rent for any month during the Term which begins or ends on other than the first or last calendar day of a calendar month shall be prorated based on actual days elapsed. If the date for payment of any installment of Minimum Rent or Percentage Rent falls on a non-Business Day, such installment shall be due on the first Business Day immediately preceding such payment date.

3.5 Absolute Net Lease. All rent payments shall be absolutely net to Landlord free of taxes, assessments, utility charges, operating expenses, refurbishings, insurance premiums or any other charge or expense in connection with the Premises. Except as otherwise provided herein, all expenses and charges whether capital or to be expensed, whether for upkeep, maintenance, repair, refurbishing, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Tenant. This provision is not in derogation of the specific provisions of this Lease, but in expansion thereof and as an indication of the general intentions of the parties hereto. Any present or future law to the contrary notwithstanding, this Lease shall not terminate, nor shall Tenant except as set forth in Sections 13 and 14, be entitled to any abatement, suspension, deferment, reduction, setoff, counterclaim, or defense with respect to any part of the total rent due under this Lease, nor shall the obligations of Tenant hereunder be otherwise affected, by

reason of: (1) any defect in the condition, merchantability, design, construction, quality or fitness for use of the Premises or any part thereof, or the failure of the Premises to comply with any legal requirements, including any inability to occupy or use the Premises by reason of such non-compliance; (2) any damage to, removal, abandonment, salvage, loss, contamination of or release from, scrapping or destruction of or any requisition or taking of any portion of the Premises or any part thereof; (3) any restriction, prevention or curtailment of or interference with the construction on or any use or any portion of the Premises or any part thereof including eviction; (4) any defect in title to or rights to any portion of the Premises or any lien on such title or rights or on any portion of the Premises; (5) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by Landlord or any Senior Lender; (6) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to Landlord, Tenant or any other Person, or any action taken with respect to this Lease by any trustee or receiver of Landlord, Tenant or any other Person, or by any court, in any such proceeding; (7) any claim that Tenant has or might have against any Person, including without limitation Landlord, any Senior Lender, or any vendors, manufacturer, contractor of or for any portion of the Premises; (8) any failure on the part of Landlord to perform or comply with any of the terms of this Lease or of any other agreement, except for the Prime Lease, but only if such failure prevents Tenant from operating the Healthcare Use on the Premises; (9) any invalidity or unenforceability or illegality or disaffirmance of this Lease or any provision thereof or hereof against or by Landlord or Tenant or of any document or instrument executed in connection with the Senior Loan or by the parties thereto; (10) the impossibility or illegality of performance by Landlord or Tenant; (11) any action by any court, administrative agency or other governmental authority; or (12) any other cause or circumstances whether similar or dissimilar to the foregoing and whether or not

Landlord or Tenant shall have notice or knowledge of any of the foregoing. The obligations of Tenant under this Lease shall continue to be payable in all events unless such obligations shall be terminated pursuant to the express provisions of this Lease. Tenant shall continue to perform its obligations under this Lease even if Tenant claims that Tenant has been damaged by any act or omission of Landlord. Therefore, except as otherwise provided herein, Tenant shall at all times remain obligated to pay Minimum Rent and Percentage Rent (except as set forth under Section 3.2(f)) under this Lease without any right of set-off, counterclaim, abatement, deduction, reduction or defense of any kind. Tenant's sole right to recover damages against Landlord by reason of a breach or alleged breach of Landlord's obligations under this Lease shall be to prove such damages in a separate action against Landlord.

3.6 Manner of Payment of Rent. Subject to the last sentence of this Section, all Minimum Rent and Percentage Rent shall be paid to Landlord by wire transfer and shall be due without prior notice or demand. If, at any time, the Senior Loan documents require payment of rent into a deposit account, Tenant shall, upon written notice from Landlord or Senior Lender, comply with such requirements.

4. Taxes, Assessments and Other Charges.

4.1 Tenant's Obligations. Subject to Sections 4.3 and 4.6, Tenant agrees to pay and discharge (including the filing of all required returns) any and all taxes (including, but not limited to, real estate and personal property taxes, business and occupational license taxes, ad valorem sales, use, intangible property, single business, gross receipts, transaction privilege, franchise taxes, business privilege, rent or other excise taxes) and other assessments levied or assessed against Tenant, any portion of the Premises or any interest therein or Landlord (with respect to this Lease and/or the Premises), but excluding any state or federal income or sales tax

based upon the net income or gross receipts of Landlord attributable to the Premises payable by Landlord (all such taxes and assessments payable by Tenant being collectively referred to herein as "**Taxes**") prior to delinquency or imposition of any fine, penalty, interest or other cost. If any of the foregoing may, at the option of the taxpayer, be paid in installments, Tenant may exercise such option to pay the same in installments (whether or not interest shall accrue on the unpaid balance) as the same respectively become due and before any delinquency, fine, penalty, or further interest or costs may be added thereto. Notwithstanding the foregoing, any Taxes which become payable upon the recordation of any document related to this Lease shall be paid by the party requesting such recordation. If any refund shall be due from any taxing authority in respect of any imposition paid by Tenant during the Term, the same shall be paid over to or retained by Tenant.

4.2 Proration. At the commencement and at the end of the Term, all Taxes and assessments shall be prorated.

4.3 Right to Protest. Landlord and/or Tenant shall have the right, but not the obligation, to protest the amount or payment of any real or personal property taxes or assessments levied against the Premises; provided that in the event of any protest by Tenant, Landlord shall not incur any expense because of any such protest. Tenant shall diligently and continuously prosecute any such protest and notwithstanding such protest Tenant shall pay any tax, assessment or other charge before the imposition of any penalty or interest. Likewise, in the event of any protest by Landlord, Tenant shall not incur any expense because of any such protest (including penalties and/or interest).

4.4 Tax Bills. Each party shall promptly forward to the other party copies of all tax bills and payment receipts relating to the Premises received by such party.

4.5 Tax Indemnity. In the event any Taxes, or fine, penalty, and/or interest thereon are at any time assessed against Landlord by any state in which a portion of the Premises is located or any local governmental entity or authority as a result of or arising out of the lease of the Premises by Tenant from Landlord, or Landlord becomes liable for any reason for any liability of Tenant for Taxes or for any fine, penalty, or interest thereon, whether such assessment arises from the sole liability of Landlord or from the joint liability of Landlord and Tenant, and Landlord pays such assessment or liability, Tenant hereby agrees to pay to the Landlord an amount equal to the amount of such assessment of Taxes, together with any fine, penalty and interest. Such payment shall be due and payable to Landlord on or before the thirtieth (30th) day following Tenant's receipt of a written notice from Landlord (pursuant to the notice provisions under this Lease) of any such assessment and payment. Tenant shall have the right, but not the obligation, to protest the amount or payment of such assessment (in whole or in part) against the Landlord, and Landlord will cooperate fully with Tenant in regard to such protest; provided that in the event of any protest by Tenant, Landlord shall not incur any expense because of such protest. Tenant shall diligently and continuously prosecute any such protest. To the fullest extent permitted by law, Tenant agrees to protect, indemnify, defend and save harmless Landlord, its directors, officers, shareholders, agents, and employees from and against any and all foreseeable or unforeseeable liability, expense, loss, costs, deficiency, fine, penalty, interest, or other damages (including, without limitation, punitive or consequential damages, reasonable attorneys' fees, and expenses) arising out of or due to any tax protest by Tenant pursuant to Section 4.3 hereof whether such items arise from the sole liability of Landlord or from the joint liability of Landlord and Tenant (provided, however, that such indemnification obligation of Tenant shall not apply to any protest by Landlord pursuant to Section 4.3). Upon receiving notice of or information concerning any suit, claim or demand, including any proposed tax audit

of Landlord or any proposed tax assessment, asserted by a third party that Landlord believes is covered by the indemnity set forth in this Lease, Landlord shall give Tenant notice of same. Tenant shall defend Landlord against such matter at Tenant's sole cost and expense with legal counsel reasonably satisfactory to Landlord.

4.6 Impound. Unless otherwise agreed to by Landlord and Senior Lender, Tenant shall deposit with Landlord or Senior Lender, commencing on the Effective Date and at the time of each payment of an installment of Minimum Rent, one-twelfth (1/12) of (a) the amount sufficient to discharge the annual amount of real property Taxes and assessments secured by a lien encumbering any portion of the Premises as and when they become due, (b) the amount sufficient to discharge the annual amount of personal property taxes and assessments on Landlord Personal Property and Tenant Personal Property as and when they become due, (c) if required by Landlord pursuant to Section 5.1, the annual premium for insurance policies required pursuant to Section 5 and (d) payments required pursuant to Section 6.1.3. Such amounts shall be held by Landlord, or the Senior Lender, and shall be applied to the payment of the obligations with respect to which the amounts were deposited. If at any time within thirty (30) days prior to the due date of any of the aforementioned obligations the amounts then on deposit therefore shall be insufficient for the payment of such obligation in full, Tenant shall within ten (10) days after demand, deposit the amount of the deficiency with Landlord or Senior Lender, as directed. If the amounts deposited are in excess of the actual obligations for which they were deposited, Landlord shall hold the same in a reserve account, not in trust and not bearing interest, and reduce proportionately the required monthly deposits for the ensuing Lease Year; provided that any such excess with respect to the final Lease Year of the Term shall be refunded to Tenant within thirty (30) Business Days of the end of the Term. Tenant shall deliver to Landlord or Landlord's agent, if so directed by Landlord, all Tax bills, as soon as the same are received by

Tenant. Upon payment by Landlord of any sums from the impound described in this Section 4.6, Landlord shall notify Tenant of the amount that was disbursed and the party that received the disbursement. If Landlord sells or assigns this Lease, Landlord shall transfer all amounts deposited by Tenant pursuant to this Section 4.6 to the purchaser or assignee, and provided Landlord shall have complied with its obligations hereunder, Landlord shall thereafter be released from all responsibility related to, and shall have no further liability for the application of such deposits from and after the date of such sale or assignment, and to the extent Landlord transfers such amounts, Tenant shall look solely to such purchaser or assignee for such application and for all responsibility related to such deposits.

4.7 Other Charges. Tenant agrees to pay and discharge, punctually as and when the same shall become due and payable without penalty, all electricity, gas, garbage collection, cable television, internet cable, telephone, water, sewer, and other utilities costs and all other charges, obligations or deposits assessed against the Premises during the Term.

5. Insurance.

5.1 General Insurance Requirements. Tenant shall provide all insurance required by Landlord or Senior Lender as set forth in this Article 5, on terms which are reasonably acceptable to Landlord and any existing or future Senior Lender, or as may otherwise be approved by Landlord and any Senior Lender from time to time. All insurance provided for in this Lease shall be maintained under valid and enforceable policies issued by Tenant's affiliated captive insurance company, pursuant to the provisions of Section 5.15 below, or insurers of recognized responsibility, licensed and approved to do business in the jurisdiction in which the Premises is located, having a general policyholders rating of not less than A|X or better by Best's Key Rating Guide. Landlord acknowledges and approves of Tenant's existing

insurance through its affiliated captive insurance companies, as reflected in the insurance certificates attached hereto as Schedule 5.4. Any changes to the insurance coverage existing as of the Effective Date shall be subject to the approval of Landlord and Senior Lender. Upon request of Landlord or Senior Lender, Tenant shall periodically update the insurance coverage required pursuant to this Article 5 to be consistent with market and industry standards. In addition, Tenant shall provide to Landlord, (i) prior to the commencement of each Lease year, a schedule of insurance premiums due during such Lease year and (ii) written evidence of actual payment of insurance premiums in accordance with the schedule of insurance premiums, at least five (5) business days prior to the date payment is due pursuant to the insurance premium schedule. If Tenant fails to make any payment of insurance premiums as required pursuant to the preceding sentence, Landlord shall have the right to require Tenant to impound the annual premium for the insurance policies required hereunder, and such payments shall be made on a monthly basis pursuant to Section 4.6 herein. Any and all policies of insurance required under this Lease shall (a) name Landlord, Prime Landlord and Senior Lender as additional insureds; (b) contain a standard noncontributory mortgage clause and a lender's loss payable endorsement, or their equivalent, naming Senior Lender (or any other party designated by Senior Lender) as the party to which all payments made by such insurance company shall be paid; provided, however, the use of funds shall be in accordance with Section 13; and (c) notwithstanding anything contained in this Article 5 to the contrary, satisfy all commercially reasonable requirements of the Senior Loan documents. Except as otherwise provided in this Lease, any and all policies of insurance required under this Lease other than policies required pursuant to Sections 5.3 and 5.4, shall be on an "occurrence" basis. Otherwise, the policies under Sections 5.3 and 5.4 shall be on a "claims made" basis. In addition, Landlord and Senior Lender shall be shown as the loss payable beneficiary under the casualty insurance policies maintained by Tenant pursuant to

Section 5.2. All policies of insurance required herein may be in the form of “blanket” or “umbrella” type policies (provided that such “blanket” or “umbrella” policies are in compliance with the terms of any Senior Loan documents) which shall name the Landlord, Prime Landlord, Senior Lender and Tenant as their interests may appear and allocate to the Premises the full amount of insurance required hereunder. Original policies or satisfactory certificates from the insurers evidencing the existence of all policies of insurance required by this Lease and showing the interest of the Landlord, Prime Landlord and the Senior Lender shall be provided to Landlord prior to the commencement of the Term and shall provide that the subject policy may not be canceled, modified or reduced except upon not less than thirty (30) days prior written notice to Landlord and the Senior Lender. On Landlord’s request, Tenant shall provide Landlord with a complete copy of any insurance policy evidenced by a certificate within thirty (30) days of such request. Originals of the renewal policies or certificates therefore from the insurers evidencing the existence thereof shall be provided to Landlord at least thirty (30) days prior to the expiration dates of the policies. If Landlord is provided with a certificate for a renewal policy, upon Landlord’s request, Tenant shall deliver a copy of the complete renewal policy to Landlord within thirty (30) days of the expiration of the replaced policy. Any claims under any policies of insurance described in this Lease shall be adjudicated by and at the expense of Tenant or of its insurance carrier, but shall be subject to joint control of Tenant and Landlord. Each insurance policy required under this Lease shall contain a provision that such policy shall not be cancelled or amended, including, without limitation, any amendment that would reduce the scope or limit coverage or remove any endorsement to such policy or cause the same to no longer be in full force and effect, or fail to be renewed, without at least thirty (30) days prior written notice to Landlord and Senior Lender in each instance.

5.2 Fire and Extended Coverage. Tenant shall keep the Premises insured against loss or damage from all causes under standard “all risk” property insurance coverage, without exclusion for fire, lightning, windstorm, explosion, smoke damage, vehicle damage, sprinkler leakage, flood, vandalism, earthquake, malicious mischief or any other risks as are normally covered under an extended coverage endorsement, in the amounts that are not less than the Full Insurable Value of the Premises including all equipment and personal property (whether or not Landlord Personal Property) used in the operation of the Premises. In addition, the casualty insurance required under this Section 5.2 will include an agreed amount endorsement such that the insurance carrier has accepted the amount of coverage and has agreed that there will be no co-insurance penalty.

5.3 Insurance Obtained by Landlord. If Tenant fails to provide to Landlord evidence of insurance as required by Section 5.1 above, or maintain the insurance coverages required by this Lease, Landlord, at Landlord’s sole option, may obtain such insurance coverage at Tenant’s sole expense, and the cost of such insurance shall be immediately payable to Landlord as additional rent under this Lease.

5.4 Professional and Public Liability Insurance. Tenant shall maintain, with respect to the Premises, (a) insurance against liability imposed by law including contractual liability upon Tenant for damages on account of professional services rendered or which should have been rendered by Tenant or any Person for which acts Tenant is liable on account of injury, sickness or disease, including death at any time resulting therefrom, and including damages allowed for loss of service, and (b) commercial general public liability insurance coverage (including products liability, contractual liability and broad form coverage) against claims for bodily injury, death or property damage occurring on, in or about the Premises and the adjoining

sidewalks and passageways, in amounts equal to those shown on the insurance certificates attached hereto as Schedule 5.4., provided that Landlord may make reasonable modifications to such requirements consistent with industry practices, subject to the prior approval of Senior Lender.

5.5 Workers Compensation. Tenant shall comply with all legal requirements regarding worker's compensation, including any requirement to maintain worker's compensation insurance and employer's liability insurance against claims for injuries sustained by Tenant's employees in the course of their employment.

5.6 Boiler Insurance. If applicable, Tenant shall maintain, with respect to the Premises, boiler and pressure vessel insurance, including an endorsement for boiler business interruption insurance, on any fixtures or equipment which are capable of bursting or exploding, in an amount not less than the replacement cost for the Premises, resulting from such perils.

5.7 Business Interruption Insurance. Tenant shall maintain, with respect to the Premises, at its expense, business interruption insurance, including use and occupancy, rental income loss and extra expense, insuring against loss of rental value for the benefit of the Landlord for a period not less than one (1) year.

5.8 Flood Insurance. Tenant shall keep (or cause to be kept) the Premises insured against loss by flood if the Premises is located in an area identified by the Federal Emergency Management Agency as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973, or the National Flood Insurance Reform Act of 1994 (and any

successor acts thereto) in an amount at least equal to the lesser of (i) the Full Insurable Value with respect to the Premises, or (ii) the maximum limit of coverage available under said act.

5.9 Builder's All Risk Insurance. During any period of restoration or construction, Tenant shall carry or cause third parties to carry builder's "all risk" insurance in an amount equal to not less than the Full Insurable Value of the Premises against such risks (including, without limitation, fire and extended coverage and collapse of the improvements to agreed limits) as Landlord may reasonably request, in form and substance acceptable to Landlord. In addition, each contractor and subcontractor shall be required to provide a certificate of insurance for worker's compensation and employer's liability insurance and general liability insurance in minimum limits of at least One Million Dollars (\$1,000,000), including coverage for premises/operations and products and completed operations. All such insurance provided by any contractor or subcontractor shall also cover Landlord and Senior Lender as additional insureds.

5.10 Ordinance or Law Coverage. Ordinance or law coverage to compensate for the cost of demolition, increased cost of construction, and loss to any undamaged portions of the improvements, if the current use of the Premises or improvements themselves are or become "nonconforming" pursuant to the applicable zoning regulations, or full rebuildability following casualties is otherwise not permitted under such zoning regulations.

5.11 Tail Insurance. If, during the Term, Tenant is covered by general liability, professional liability, residential healthcare malpractice or other liability insurance on a "claims made" basis, ninety (90) days before the termination of this Lease, Tenant at its option shall procure and maintain, at Tenant's sole cost and expense, an extended reporting endorsement or "tail" insurance coverage, for a period of time at least equal to the statute of limitations for healthcare claims within the applicable jurisdiction where each Facility is located, with such

coverage limits and such deductible amounts as shall be reasonably acceptable to Landlord for general liability, professional liability, residential healthcare professional malpractice or other liability claims reported after the termination of this Lease or expiration of the claims made policy, but concerning services provided during the Term or the claims made policy. Tenant shall provide Landlord with a certificate evidencing such coverage no later than ninety (90) days before the termination of this Lease. Landlord shall have the right to apply any portion of the Security Deposit to procure and maintain the insurance required under this Section to the extent such coverage is available at commercially reasonable rates.

5.12 Waiver of Subrogation. Landlord and Tenant hereby waive any right of subrogation and right of recovery or cause of action for injury or lawsuit to the extent that such injury or loss is covered by fire, extended coverage, "all risk" or similar policies covering real property or personal property required to be obtained and maintained under this Lease (or which would have been covered if the party claiming such right of subrogation or recovery or cause of action had carried the insurance required by this Lease) or covered by any other insurance maintained by the waiving party. Written notice of the terms of the above mutual waiver shall be given to the insurance carriers of Landlord and Tenant, and the parties' insurance policies shall be properly endorsed, if necessary, to prevent the invalidation of the policies by reason of such waivers. At any time that this paragraph operates to the benefit of Landlord, Senior Lender shall similarly benefit hereby.

5.13 Additional Insurance. Tenant shall obtain such additional insurance for the Premises as Landlord or Senior Lender may reasonably request.

5.14 Deductible Amounts. The policies of insurance which Tenant is required to provide under this Lease will not have deductibles or self-insured retentions in excess of the

amounts shown on Schedule 5.4 attached hereto, unless a greater amount is approved by each of Landlord, Senior Lender, and junior lender, if any, in writing, and with such approval not to be unreasonably withheld if (a) the increased deductible will not have a material adverse impact on the financial condition of Tenant and (b) such deductible or self-insured retention is not available on commercially reasonable economic terms.

5.15 Insurance Captive.

5.15.1 Tenant shall have the right to utilize its established insurance captive (the “**Insurance Captive**”) to satisfy the professional liability and general liability insurance requirements under Article 5 on the terms and conditions of Section 5.15. Tenant shall fully disclose and provide copies of all reports, documents and agreements pertaining to the proposed Insurance Captive (and/or the applicable “cells” used for Tenant and Subtenants) to Landlord and Senior Lender, which shall include, at a minimum, (i) on or before the Effective Date, the policy forms and actual captive contracts (including any credit wrap) for the Insurance Captive, which shall be in form and substance reasonably satisfactory to Landlord and Senior Lender; (ii) within ninety (90) days after the end of each Lease Year, statements required to be filed with the applicable insurance regulator, annual audited financial statements and annual captive managers report for the Insurance Captive (and/or the applicable “cells” used for Tenant and Subtenants); (iii) within thirty (30) days after the end of each calendar quarter, quarterly unaudited financial statements or other financial reporting of such captive insurance company (and/or the applicable “cells” used for Tenant and Subtenants); and (iv) within ninety (90) days after the end of each Lease Year, all studies, opinions and reports (the “**Insurance Studies**”) performed by actuaries or insurance advisors that have been engaged by or on behalf of Tenant and acceptable to Landlord, in its reasonable discretion, including, but not limited to, all loss runs (including all

open and closed reported claims and paid losses), all reinsurance agreements, ACORD forms (or equivalent) and quarterly loss summary versus reserve reports, for the purpose of establishing, implementing and maintaining the captive or other self-insurance retention program for the professional and general liability claims (or any other claims to the extent the liability is covered by such captive or other self-insurance retention program) of Tenant and the Premises. For so long as any captive insurance arrangements are used by Tenant and Subtenants, any such captive insurance arrangement shall be funded pursuant to annual actuarial estimates for the facilities covered by such captive insurance arrangements.

5.15.2 The Insurance Captive shall:

(i) maintain a balance sheet liability for reserves, claims, and the estimated costs associated with settling, adjudicating, and otherwise resolving professional liability and general liability claims, in an amount recommended by any nationally recognized actuarial firm selected by the Insurance Captive;

(ii) establish and maintain assets in an amount per annum equal to the estimated ultimate losses and costs, as set forth in the most recent Insurance Study, discounted in accordance with GAAP;

(iii) preserve and maintain its legal existence and its rights, privileges, franchises, and permits necessary to conduct its business; and

(iv) not own assets unrelated to or conduct business other than in connection with the self insurance program.

5.15.3 Tenant shall not request or permit any material alteration or modification to the Insurance Captive policy and/or provider without (i) at least thirty (30) days

prior written notice to Landlord and Senior Lender in each instance, and (ii) the prior written consent of Landlord and Senior Lender in each instance, which consent shall not be unreasonably withheld.

6. Use, Maintenance and Alteration of the Premises.

6.1 Tenant's Maintenance Obligations.

6.1.1 Tenant shall be solely responsible for keeping and maintaining the Premises in good appearance, repair and condition and maintain proper housekeeping. Tenant shall promptly make or cause to be made all repairs, interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary to keep the Premises in working condition, properly repaired, replaced and maintained in the ordinary course of business.

6.1.2 As part of Tenant's obligations under this Section 6.1, Tenant shall be solely responsible for maintaining all Landlord Personal Property and all Tenant Personal Property in working order sufficient for normal operation of its business, properly maintained by Tenant in the ordinary course of business. Subject to the foregoing, Tenant shall repair and replace such property consistent with prudent industry practice for the applicable Healthcare Use.

6.1.3 Without limiting Tenant's obligation to maintain the Premises under this Lease, Tenant shall pay to Landlord or, at Landlord's election, the Senior Lender, with each installment of Minimum Rent, one-twelfth (1/12) of an annual amount equal to Five Hundred Dollars (\$500.00) per Licensed Bed (the "Capital Expenditure Amount"). Such funds shall be the sole property of Landlord but may be held in a

separate account subject to the control of Senior Lender (the "Capital Expenditure Account"), but portions thereof shall from time to time be disbursed to Tenant if Tenant submits to Landlord the Capital Expenditure Documents and such other evidence as Landlord may reasonably require evidencing that Tenant has incurred expenses for Capital Expenditures together with a request for Landlord or Senior Lender to reimburse Tenant pursuant to the Capital Expenditure Documents. Landlord shall request Senior Lender to make each such disbursement payment within thirty (30) days of the submission by Tenant of the applicable material required hereunder. Landlord shall not be obligated to disburse to Tenant any amount in excess of the escrow amount or more than once in any thirty (30) day period. Any funds being held by Landlord at the expiration of the Term shall be the sole property of Landlord. Tenant shall not be entitled to a disbursement of any Capital Expenditures during the continuance of an Event of Default. Senior Lender or Landlord may, at any time and from time to time, cause to be made inspections of the Premises by a qualified third party inspector. If any inspection report from any such third party inspection reasonably recommends that Capital Expenditures are required to cause the Premises to conform to standards that existed on the Effective Date for the Healthcare Use, Landlord shall provide Tenant with a written description of such needed Capital Expenditures and Tenant shall complete the required needed Capital Improvements to the reasonable satisfaction of Landlord within ninety (90) days of receipt of such description, or, in the event such Capital Improvements cannot be completed within ninety (90) days, Tenant shall diligently prosecute the same to completion within one hundred twenty (120) days of receipt of such description. Tenant may use funds held in the Capital Expenditure Account for any such improvements required by any such third party inspection. Any interest that accrues on

the funds in the Capital Expenditures Account shall at all times remain in the Capital Expenditure Account and may be used for Capital Expenditures.

6.2 Regulatory Compliance; Qualified Care.

6.2.1 (a) Tenant shall be solely responsible for maintaining or causing to be maintained by Subtenants any and all licensing necessary in the operation of the Premises for the applicable Healthcare Use, with certification through the Medicare and Medicaid (or any successor) programs, if applicable. Further, Tenant shall be solely responsible for ensuring that the Premises continues to be operated as the applicable Healthcare Use, licensed for not less than the applicable number of beds set forth on Schedule 1 attached hereto (as such Schedule may be amended or supplemented from time to time, provided that Tenant shall give Landlord at least thirty (30) days prior ~~written notice of any such amendment or supplement to the Schedule and such~~ amendment shall not be effective, except with Landlord's written approval, which shall not be unreasonably withheld, provided that such amendment shall not cause a default under the Senior Loan documents), all without any suspension, revocation, decertification or other limitation, including without any limitation on admissions or the ability to continue to provide services. Further, Tenant shall not commit any act or omission that would in any way violate any certificate of occupancy affecting any portion of the Premises.

(b) Tenant shall maintain such books, records and other material relating to the Premises, including, but not limited to patient records and records of patient funds, prior to the commencement of and during the Term, in the manner required by law.

6.2.2 (a) All inspection fees, costs and charges associated with maintaining such licensure or certification or a change of such licensure or certification shall be borne solely by Tenant. Tenant shall be solely responsible for and shall bear all costs and expenses incurred in connection with any requirements of regulatory inspections or surveys conducted after the Effective Date and during the Term and implementing any plans of correction relating to such surveys or inspections. Subject to the requirements of applicable law, Tenant agrees that it shall not request any regulatory inspection or survey of the Premises by any regulatory authority until after the Effective Date.

(b) Tenant shall be solely responsible at its sole cost to make any additions or alterations to the Premises necessitated by, or imposed in connection with, a change of ownership inspection survey for the transfer of operation of the Premises from Tenant or Tenant's assignee to Landlord or Landlord's designee at the expiration or termination of the Term, and Tenant may use funds held in the Capital Expenditure Account pursuant to Section 6.1.3 above for this purpose.

(c) Tenant represents and warrants that to the best of its knowledge and belief, it has fully completed and timely filed all licensure, change of ownership/operator, provider enrollment, provider certification, and provider application forms necessary for all payors, including Medicare and Medicaid, to initiate reimbursement to Tenant or Subtenants for program services. Tenant further represents and warrants that it has taken and will take all necessary measures to insure and expedite prompt commencement of such reimbursement following the Effective Date.

6.3 Continuous Operations; Permitted Use Tenant shall continuously use and operate the Premises during the Term as the applicable Healthcare Use, licensed for not less than the applicable number of beds set forth on Schedule 1, and for ancillary services relating thereto, and for no other purpose.

6.4 No Liens; Permitted Contests Except for liens with respect to the Working Capital Financing as set forth in Section 8.4, Tenant shall not cause or permit any liens, levies or attachments to be placed or assessed against any portion of the Premises or the operation thereof for any reason. Any liens other than liens pursuant to the terms of Section 8.4, which may be filed against the Premises shall be removed or bonded off by Tenant within thirty (30) days after Tenant receives notice of any such filing. However, Tenant shall be permitted in good faith and at its expense to contest the existence, amount or validity of any lien upon any portion of the Premises by appropriate proceedings sufficient to prevent the collection or other realization of the lien or claim so contested, as well as the sale, forfeiture or loss of any portion of the Premises or any rent to satisfy the same. If any lien is contested, Tenant shall provide Landlord with security satisfactory to Landlord in Landlord's reasonable judgment to assure the foregoing. Each contest permitted by this Section 6.4 shall be promptly and diligently prosecuted to a final conclusion by Tenant.

6.5 Alterations by Tenant Tenant shall have the right to alter, improve, replace, modify or expand the Premises, equipment or appliances in the Premises from time to time as it may determine is desirable for the continuing and proper use and maintenance of the Premises under this Lease; provided, however, that any structural alterations, improvements, expansions or modifications in excess of Fifty Thousand Dollars (\$50,000.00) with respect to each Facility included in the Premises in any rolling twelve (12) month period shall require the prior written

consent of the Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. It shall be reasonable for Landlord to require appropriate insurance, security for payment of the costs incurred for the project, prior approval of the plans for the project and Senior Lender's written approval for any such project. The cost of all such alterations, improvements, replacements, modifications, expansions or other purchases, whether undertaken as an on-going licensing, Medicare or Medicaid (or any successor program) or other regulatory requirement or otherwise shall be borne solely and exclusively by Tenant and shall immediately become a part of the Premises and the property of the Landlord subject to the terms and conditions of this Lease. Tenant may use funds held in the Capital Expenditure Account to make such alterations. All work done in connection therewith shall be done in a good and workmanlike manner and in compliance with all existing codes and regulations pertaining to the Premises and shall comply with the requirements of insurance policies required under this Lease.

~~In the event any items of the Premises have become inadequate, obsolete or worn out or require~~
replacement (by direction of any regulatory body or otherwise), Tenant shall remove such items and exchange or replace the same at Tenant's sole cost and the same shall become part of the Premises and property of the Landlord.

7. Condition of Premises. Tenant acknowledges that it has expertise in the Healthcare Use industry. Tenant has thoroughly investigated the Premises, has selected the Premises to its own specifications, and has concluded that no improvements or modifications to the Premises are required to operate the Premises for its intended use. Tenant accepts the Premises for use as licensed for the Healthcare Use applicable for the Premises under this Lease on an "AS IS" basis, and assumes all responsibility and cost for correcting any observed or unobserved deficiencies or violations. In making its decision to enter into this Lease, Tenant has not relied on any representations or warranties, express or implied, of any kind from Landlord except to the extent

expressly set forth in this Lease. Landlord represents and warrants that as of the Effective Date it shall have a valid leasehold interest in the Premises subject to the exceptions set forth on Exhibit C. Landlord expressly makes no representations or warranties as to the physical condition of the Premises or the habitability or fitness of the Premises for any particular use or purpose, including, without limitation, (i) its soundness for any construction or other building purposes, (ii) the availability of any utilities to the Premises, and (iii) the existing zoning. Tenant hereby agrees and acknowledges that it is solely Tenant's responsibility to ensure that Tenant has all necessary licenses or permits with respect to its permitted use and operation of the Premises and hereby releases and indemnifies Landlord for any claims arising in connection therewith.

8. Landlord and Tenant Personal Property.

8.1 Tenant Personal Property. Tenant and Subtenants shall install, affix or assemble or place on the Premises at its sole cost and expense all items of furniture, fixtures, equipment and supplies not included as Landlord Personal Property as is reasonably necessary for the use of the Premises as contemplated by this Lease (the "**Tenant Personal Property**"). Tenant and Subtenants shall provide and maintain during the entire Term all Tenant Personal Property as shall be necessary to operate the Premises in compliance with all requirements set forth in this Lease. Subject to the provisions of Section 15.2 below, all Tenant Personal Property shall be and shall remain the property of Tenant or Subtenant and may be removed by Tenant or Subtenant on the expiration of the Term. However, if there is any Event of Default which results in the termination of this Lease, Tenant will not remove the Tenant Personal Property from the Premises and will on demand from Landlord, convey all of Tenant's interest, or cause Subtenant to convey all of Subtenant's interest, in the Tenant Personal Property to Landlord by executing a bill of sale in a form reasonably required by Landlord. At Landlord's option, Tenant or

Subtenant shall remove the Tenant Personal Property within thirty (30) days after receipt of a written request by Landlord and Tenant or Subtenant will repair all damage to the Premises caused by any removal of the Tenant Personal Property.

8.2 Landlord's Security Interest.

8.2.1 The parties intend that if Tenant defaults under this Lease, Landlord will control the Tenant Personal Property, including the Intangible Property, so that Landlord or its designee can operate or re-let the Premises intact for use as licensed for the Healthcare Use applicable for the Premises.

8.2.2 Therefore, to implement the intention of the parties, and for the purpose of securing the payment and performance of Tenant's obligations under this Lease, Tenant, as debtor, hereby grants to Landlord, as secured party, a security interest in and an express contractual lien upon, all of Tenant's right, title and interest in and to the Tenant Personal Property, including the Intangible Property, and any and all products and proceeds thereof, in which Tenant now owns or hereafter acquires an interest or right, including any leased Tenant Personal Property. The contractual lien granted to Landlord in the Tenant Personal Property is subject to any contract lien rights of the Working Capital Lender (as defined in Section 8.4) in the Tenant Personal Property. This Lease constitutes a security agreement covering all such Tenant Personal Property, including the Intangible Property. At Landlord's sole option, Tenant shall execute a separate security agreement granting Landlord the security interests in Tenant Personal Property, including the Intangible Property. Additionally, at Landlord's sole option, Tenant shall cause each Subtenant to execute a security agreement, granting Landlord a security interest in and express contractual lien on all of each such Subtenant's right, title and

interest in and to the Tenant Personal Property and the Intangible Property, and in any property of Subtenants used in connection with the operation of the Premises. The security interest granted to Landlord in this Section 8.2.2 is intended by Landlord and Tenant to be a first lien security interest in such property and shall not be inferior or subordinate to any other lien or financing except as set forth in Section 8.4 and except as to de minimis equipment liens not to exceed Ten Thousand Dollars (\$10,000.00) per Facility. Landlord shall have the option to assign this security interest, and any separate security agreement which may be executed by Tenant, to Senior Lender, upon written notice to Tenant. This security agreement and the security interest created herein shall survive the termination of this Lease if such termination results from the occurrence of an Event of Default.

8.3 Financing Statements. Prior to the commencement of the Lease and if required by Landlord at any other time during the Term, Tenant shall execute and deliver to Landlord (and cause all Subtenants to execute and deliver), in a form reasonably satisfactory to Landlord, additional security agreements, financing statements, fixture filings and such other documents as Landlord may reasonably require to perfect or continue the perfection of Landlord's security interest in the Tenant Personal Property, including the Intangible Property, and any and all products and proceeds thereof now owned or hereafter acquired by Tenant or any Subtenant. At Tenant's sole cost and expense, Landlord may file such documents in public offices and obtain such record searches as Landlord may reasonably require. Tenant hereby authorizes Landlord, on behalf of Tenant and any Subtenants, to file all financing and continuation statements necessary to perfect the security interests created herein. In the event Tenant fails to execute (or fails to cause any Subtenant to execute) any financing statements or other documents for the perfection or continuation of Landlord's security interest, Tenant hereby

appoints Landlord as its true and lawful attorney-in-fact to execute any such documents on its behalf, which power of attorney shall be irrevocable and is deemed to be coupled with an interest.

8.4 Accounts Receivable. Landlord agrees to subordinate its contractual lien rights in Tenant's accounts receivable in favor of Senior Lender, or an Affiliate of Senior Lender, if Senior Lender or any such Affiliate makes a working capital credit facility available to Tenant, or in favor of any non-Affiliate of Senior Lender which provides Working Capital Financing to Tenant in compliance with the requirements of this Section 8.4. Any such subordination shall be in writing, signed by all parties and in a form reasonably acceptable to Landlord, Tenant and Senior Lender. Tenant may also obtain working capital financing or otherwise pledge any receivables as collateral ("Working Capital Financing") from a non-Affiliate of the Senior Lender if (i) the terms and conditions of this Section 8.4 have been satisfied; (ii) Tenant obtains written approval from Landlord of the terms and conditions of such Working Capital Financing; (iii) no Event of Default exists hereunder; and (iv) such Working Capital Financing lender and Landlord have entered into an intercreditor agreement in form and substance reasonably acceptable to Landlord. Landlord may withhold its consent in its sole discretion to any Working Capital Financing that does not satisfy the foregoing conditions. Landlord and Tenant acknowledge and agree that Tenant or Subtenants have a credit line available with Capital Finance, LLC (the "Working Capital Lender") for its Working Capital Financing as of the Effective Date which is partially secured by certain accounts receivable which are not related to the Premises. Tenant shall not commingle any funds or accounts related to the Premises held by the Working Capital Lender with funds or accounts related to other properties owned or leased by Tenant or its Affiliates. Tenant and its Affiliates shall not be in default, beyond any applicable cure period, under any financing agreements with Working

Capital Lender or any other provider of Working Capital Financing. Landlord acknowledges and agrees that the existing credit line with Working Capital Lender may be increased to include certain of the Facilities known as Frederick Villa Nursing Center and Royal Palm Convalescent Center, provided that the accounts receivable for both Facilities shall serve as additional security for the Working Capital Financing.

8.5 Cash Management.

8.5.1 On or before the Effective Date, Tenant shall establish and maintain with a United States depository institution designated by Landlord or Senior Lender ("**Account Bank**") a separate and unique collection account, or accounts (the "**Account(s)**") into which all revenues attributable to the Premises ("**Revenues**") shall be deposited, commencing on the Effective Date. In the alternative, Tenant may designate ~~an established Account (or Accounts with Subtenants) with a United States depository~~ institution reasonably acceptable to Landlord and Senior Lender, as the Account into which all Revenues shall be deposited commencing on the Effective Date. If any such Revenues are forwarded to Tenant or Subtenant or its manager rather than directly to the Account(s), Tenant, or Subtenant, shall (i) deliver an irrevocable direction letter in form and substance satisfactory to Landlord to such entity and make other commercially reasonable efforts to cause such entity to forward such Revenues directly to the Account(s) and (ii) immediately deposit such Revenues in the Account(s). Subject to the terms of Section 8.5.4 below, neither Tenant nor any Subtenant shall have the right to make or direct any withdrawals from the Account(s) without the prior written consent of Landlord and Senior Lender.

8.5.2 So long as no Event of Default shall have occurred and be continuing, the Revenues shall be held uninvested in the Account and shall be applied as follows: (i) first, to the payment of any and all amounts due with respect to the Premises, including without limitation, Minimum Rent, Percentage Rent, any impounds pursuant to Section 4.6 herein and Management Fees; and (ii) second, as soon as practicably feasible, to an account designated by Tenant.

8.5.3 If an Event of Default has occurred and is continuing (and following the giving of any required notice): (i) Revenues deposited in the Account shall not be applied or deposited to the account designated by Tenant pursuant to Section 8.5.2(ii) and (ii) sums on deposit in the Account may be applied by Landlord for the payment of any amounts due Landlord pursuant to this Lease.

8.5.4 Contemporaneously with the creation of the Account, or designation of an existing Account or Accounts by Tenant or Subtenant, Landlord, Tenant (or Subtenant, as applicable), and Account Bank shall enter into a Deposit Account Control Agreement (the “Control Agreement”) concerning the Account or Accounts and implementing the provisions of this Section 8.5; provided, however, the Control Agreement shall provide that Landlord shall not exercise any control over the Account or Accounts until Landlord provides written notice to Account Bank that an Event of Default has occurred and is continuing under this Lease. A fully-executed original of the Control Agreement shall be held by Senior Lender and Landlord, and Tenant (or Subtenant, as applicable) shall not enter into any amendment, modification or supplement to the Control Agreement without the prior written consent and agreement of Landlord and Senior Lender.

8.5.5 Landlord shall waive the provisions of this Section 8.5 if Tenant obtains from Senior Lender a working capital credit facility secured by the accounts of Tenant, pursuant to Section 8.4.

8.5.6 The provisions set forth in this Section 8.5 shall be subject to the approval of Senior Lender. Any inconsistencies between this provision and the provisions in any working capital loan from Senior Lender or an Affiliate thereof and Tenant shall be governed by the terms and provisions of the working capital loan documents between Tenant and Senior Lender (or its Affiliate).

9. **Representations And Warranties.** Landlord and Tenant do hereby each for itself represent and warrant to each other as follows:

9.1 **Due Authorization And Execution.** This Lease and all agreements, instruments and documents executed or to be executed in connection herewith by such party were duly authorized and shall be binding upon such party.

9.2 **Due Organization.** Landlord and Tenant are duly organized, validly existing and in good standing under the laws of the State of their respective formations and are duly authorized and qualified to do all things required of the applicable party under this Lease within the States in which the Premises are located.

9.3 **No Breach of Other Agreements.** Neither this Lease nor any agreement, document or instrument executed or to be executed in connection herewith, violates the terms of any other agreement to which either Landlord or Tenant is a party.

10. Financial, Management, Litigation and Regulatory Reports.

10.1 Monthly Property Reports. Within thirty (30) days after the end of each calendar month during the Term, Tenant shall prepare and deliver monthly financial reports to Landlord and Senior Lender (on a consolidated basis for such period and year-to-date) consisting of a balance sheet, income statement (stating operating revenues, operating expenses and operating income), total patient days, occupancy and payor mix concerning the business conducted at the Premises, a comparison of actual results versus the budget and, commencing in the second Lease Year, a comparison of actual results versus the prior year results, provided that the time for delivery of said reports may be extended in the event that the Senior Lender agrees in writing to extend same.

10.2 Quarterly Financial Statements. Within sixty (60) days of the end of each calendar quarter during the Term, Tenant shall deliver to Landlord and Senior Lender the quarterly financial statements of Tenant, including quarterly statements of net cash flow (consolidated, if applicable, with Tenant's Affiliates, including the manager of the Premises, if the Manager is an Affiliate of Tenant, and all Subtenants), quarterly financial statements of the Premises, a description of the type and amount of all Capital Expenditures incurred during the period and, commencing in the second Lease Year, a comparison of actual results versus the budget and a comparison of actual results versus the prior year results.

10.3 Annual Financial Statements. Within ninety (90) days of the end of each Lease Year, Tenant shall deliver to Landlord and Senior Lender the annual financial statements of Tenant (consolidated with all Subtenants), audited by the Auditors, annual financial statements of the Premises and a comparison of actual results versus the budget and, commencing in the second Lease Year, a comparison of actual results versus the prior year results, and the Percentage Rent

Report required by Section 3.2. The annual financial statements of Manager shall be provided by Tenant upon request by Landlord or Senior Lender. Notwithstanding any of the other terms of this Section 10.3, if Tenant shall become subject to any reporting requirements of the SEC during the Term, Tenant shall concurrently deliver to Landlord such reports as are delivered to the SEC pursuant to applicable securities laws within five (5) days of filing with the SEC, provided that the time for delivery of said reports may be extended in the event that the Senior Lender agrees in writing to extend same.

10.4 Accounting Principles. All of the historical financial reports and financial statements required hereby shall be prepared in accordance with GAAP, as defined herein.

10.5 Regulatory Reports and Notices. Tenant shall within five (5) Business Days of receipt thereof deliver to Landlord and Senior Lender all federal, state and local licensing and reimbursement certification surveys, inspection and other reports, notices, or requests received by Tenant as to the Premises and the operation of business thereon, including, without limitation, state department of health licensing surveys, Medicare and Medicaid (and successor programs) certification surveys, life safety code reports, any notices of violation or requests for corrective action and any correspondence concerning same. Within three (3) Business Days of the occurrence of any of the following, Tenant shall notify Landlord by email or telephone of such occurrence: any on-site regulatory activity, including without limitation, certification surveys, other inspections, or complaint investigations; any casualty loss or damage; and any other health, medical, zoning or use inspection or investigation. Such email or telephone notice shall include the following, as applicable: name of the entity conducting the inspection or investigation or instituting the regulatory activity; the reason for such regulatory activity and the details of any incident giving rise to such regulatory activity; the facility level plan of action or correction; the

corporate plan of action or correction; the timeline for any response, follow-up or additional action in connection with such survey, investigation or inspection; the proposed or imposed remedies; the media or community communication plan; and an assessment of litigation risks. As soon as practicable, but, in any event, within five (5) Business Days of receipt thereof, Tenant shall give Landlord and Senior Lender copies of any written notice of any violation of any federal, state or local licensing or reimbursement certification statute or regulation, including, without limitation, Medicare or Medicaid (or successor programs), any suspension, termination or restriction placed upon Tenant, any Subtenant or the Premises, the operation of business thereon or the ability to admit residents or patients, or any written notice of violation of any other permit, approval or certification in connection with the Premises or its business, by any federal, state or local authority, including, without limitation, Medicare or Medicaid (or successor programs). Tenant shall continue to provide Landlord with copies of any correspondence regarding said violation and written confirmation of the plan for correcting said violation.

10.6 Annual Operating Budget. At least thirty-five (35) days prior to the commencement of each subsequent fiscal year of Tenant, Tenant shall provide Landlord and Senior Lender with an annual budget covering the operations of the Premises including any proposed capital expenditures for the forthcoming fiscal year. Tenant shall also provide Landlord with such other information with respect to Tenant or the operations of the Premises as Landlord may reasonably request in writing from time to time. Notwithstanding anything to the contrary, the annual budget for the first fiscal year shall be due ninety (90) days following the Effective Date.

10.7 Litigation. If available monthly but in any event at least quarterly, Tenant shall provide third party administrative reports on all pending litigation matters (to be delivered

with the Monthly Property Reports or Quarterly Financial Statements, as applicable). In addition, Tenant shall provide periodic updates of any other pending material litigation matters which affect the Premises and/or Tenant.

10.8 Additional Information. Upon written request of the Landlord or Senior Lender, Tenant shall provide any additional information regarding the Premises and/or Tenant that Landlord or Senior Lender may reasonably request.

10.9 Certification. All statements required by this Section 10 shall be certified true and correct by the Chief Financial Officer or the Managing Member of the Manager of the Tenant.

10.10 Failure to Comply. Tenant acknowledges that the failure to furnish Landlord with any of the statements required by this Section 10 will cause Landlord to incur costs and expenses not contemplated hereunder, the exact amount of which is presently anticipated to be extremely difficult to ascertain. Accordingly, if Tenant fails to furnish Landlord with any of the statements required by this Section 10 in addition to any other remedies Landlord may have under this Lease, Tenant shall pay to Landlord upon demand Five Hundred Dollars (\$500.00) for each such failure. The parties agree that this charge represents a fair and reasonable estimate of the cost that Landlord will incur because of Tenant's failure to furnish Landlord with such statements.

10.11 Intentionally Deleted.

10.12 Financial Covenants. At all times during the Initial Term and each Renewal Term, if applicable, Tenant shall comply with the following covenants (to be calculated on a consolidated basis for all Facilities and the Michigan Facilities):

(a) The operations of the Premises shall maintain for each calendar quarter during each Lease Year on a trailing twelve (12) months basis (or, if applicable, by annualizing current Lease Year to date results), a Portfolio Coverage Ratio of not less than 1.12 to 1 for each calendar quarter of 2011, 1.135 to 1 for each calendar quarter of 2012, and 1.10 to 1 for each calendar quarter after the end of 2012.

(b) Tenant shall maintain for each calendar quarter during each Lease Year, a Current Ratio of not less than 1.10 to 1.

(c) Beginning as of the Effective Date, and thereafter, Tenant shall maintain for each calendar quarter during each Lease Year on a trailing twelve (12) months basis, a Fixed Charge Coverage Ratio of not less than 1.00 to 1.

(d) None of Tenant, any Subtenant or Manager (but only for so long as Manager is an Affiliate of Tenant) will create, incur or suffer to exist any Debt, other than: (i) any existing or prospective working capital loan for use in connection with the operation of the Premises; and (ii) any Debt which is in existence on the Effective Date (or Debt that replaces such other Debt in existence on the Effective Date) which such other Debt shall not be increased, amended, modified or revised. Notwithstanding the provisions of this Section 10.12(d), Manager may create, incur or suffer to exist Debt, provided that the Manager meets the following requirements: (x) Manager must be solvent and able to pay its Debt when due, and (y) Manager must give written notice to Landlord at least ten (10) days prior to the creation of such Debt, which such notice shall include the total amount due, identity of the payee and re-payment terms.

(e) Neither Tenant nor any Subtenant shall enter into any agreement to sell all or substantially all of its assets or commence structuring of any transaction which could result in a change in

Control of the Tenant or any Subtenants without the prior written consent of Landlord, which consent may not be unreasonably withheld.

(f) Within thirty (30) days after the end of each quarter during the Term of the Lease, at the same time as the monthly reports are delivered to Landlord pursuant to Section 10.1 above, Tenant shall deliver to Landlord a certificate of compliance for the financial covenants contained in this Section 10.12, specifically including the covenant calculation for subsections (a), (b) and (c) above.

11. Events of Default and Landlord's Remedies.

11.1 Events of Default. The occurrence of any of the following shall constitute an event of default on the part of Tenant hereunder ("**Event of Default**"):

11.1.1 The failure to pay within three (3) days of the date when due any
Minimum Rent or Percentage Rent;

11.1.2 The failure to pay (a) within five (5) days of the date when due, any amounts due under Section 4.6 (Impounds) herein, or Section 6.1.3 if applicable, or, (b) within five (5) days after the receipt of written notice from Landlord, any other charges or payments required of Tenant under this Lease;

11.1.3 The failure to replace or replenish the Security Deposit within ten (10) Business days of the receipt of notice of a draw thereon;

11.1.4 Any termination, suspension, revocation or material adverse action or restriction placed upon (i) Tenant, any Subtenant or the Healthcare Use of any portion of the Premises; (ii) the operation of the Healthcare business thereon which will

have a material, adverse effect on the Healthcare Use, including, without limitation, the termination of any provider agreement with a government payor without Landlord's consent; or (iii) any material certification, qualification, license, permit or other governmental authorization of any portion of the Premises, including, without, limitation, the failure to maintain any such qualification, license, permit, or other governmental authorization necessary to continue to operate the Premises for its Healthcare Use. Notwithstanding the foregoing, an Event of Default shall not exist if any suspension, revocation or material adverse action or restriction is being contested by Tenant or Subtenants as permitted by applicable law for a period of seventy-five (75) days from the date of notice of such action or as such period may be reasonably extended by Landlord in writing, subject to the approval of Senior Lender (the "Contest Period"), provided that (i) Tenant has a right to contest such action and pursues such right diligently, (ii) Tenant provides Landlord with a written plan of correction within ten (10) Business Days after receipt of notice of such action, as well as copies of all correspondence, notices, and pleadings from the contest action, and (iii) Tenant provides Landlord with weekly written status updates of the progress of the contest action during the Contest Period;

11.1.5 A default by Tenant (or any Affiliate of Tenant) under any obligation other than this Lease between Tenant (or any Affiliate of Tenant) and Landlord or any Affiliate of Landlord (including, without limitation, any financing agreement, the Michigan Master Sublease, or any other lease or management or other agreement), which default is not cured within any applicable cure period provided in the documentation for such obligation;

11.1.6 A default by Tenant with respect to any obligation under any other lease or financing agreement with any other party, specifically including Working Capital Lender, which default is not cured within any applicable cure period provided in the documentation for such obligation which is reasonably likely to have a material adverse effect on the Premises taken as a whole or the ability of the Tenant to perform its obligations hereunder;

11.1.7 A default by any Subtenant with respect to any Sublease or any lease or financing agreement with any other party, specifically including Working Capital Lender, which default is not cured within any applicable cure period provided in the documentation for such obligation and which is reasonably likely to have a material adverse effect on the Premises taken as a whole or the ability of the Tenant to perform its obligations hereunder

11.1.8 Any material misstatement or omission of fact in any written report, notice or communication from Tenant to Landlord with respect to Tenant or the Premises, and which has a material, negative impact on the Premises taken as a whole;

11.1.9 Intentionally Deleted;

11.1.10 Tenant shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make an assignment of all or substantially all of its property for the benefit of its creditors;

11.1.11 The appointment of a receiver, trustee, or liquidator for Tenant, or any of the property of Tenant, if within three (3) Business Days of Tenant's notice of such appointment Tenant does not inform Landlord in writing that Tenant intends to

cause such appointment to be discharged or Tenant does not thereafter diligently prosecute such discharge to completion within ninety (90) days after the date of such appointment;

11.1.12 The failure to (a) deliver evidence of insurance to Landlord as required by Section 5.1, following five (5) days written notice thereof from Landlord, or (b) provide evidence of the timely payment of insurance premiums required by Section 5.1;

11.1.13 The filing by Tenant of a voluntary petition under any federal bankruptcy law or under the law of any state to be adjudicated as bankrupt or for any arrangement or other debtor's relief, or in the alternative, if any such petition is involuntarily filed against Tenant by any other party and Tenant does not within three (3) ~~Business Days of Tenant's notice of any such filing inform Landlord in writing of the~~ intent by Tenant to cause such petition to be dismissed, if Tenant does not thereafter diligently prosecute such dismissal, or if such filing is not dismissed within ninety (90) days after filing thereof;

11.1.14 The failure by Tenant to provide any of the information or documents required by Sections 10.1, 10.2, 10.3 and 10.5 within the time period specified in such sections;

11.1.15 The failure to comply with the financial covenants in Section 10.12 above;

11.1.16 The failure to perform or comply with any other term or provision of this Lease, other than those described in Sections 11.1.1—11.1.15, inclusive,

including, without limitation, the failure to comply with the provisions hereof pertaining to the use, operation and maintenance of the Premises; provided, it shall not be deemed an Event of Default, if: (a) within five (5) Business Days of Tenant's receipt of a written notice of default from Landlord, Tenant gives Landlord notice of its intent to cure such default; and (b) Tenant cures such default within thirty (30) days after such written notice from Landlord, or if such default cannot be cured within thirty (30) days and Tenant is diligently pursuing such cure, then within seventy-five (75) days after such written notice from Landlord;

11.1.17 There shall be no cure period in the event of a breach by Tenant of any of the following, and each such breach shall be an immediate Event of Default; (a) the obligation to maintain the insurance coverages required by Section 5, above; (b) the provisions of Section 8.5, above; (c) the provisions of Section 21.1 (except for Section 21.1.3), below; (d) the provisions of Section 23, below; or (e) the failure of Tenant to extend the Initial Term of the Michigan Master Sublease for two Renewal Terms; and

11.1.18 All notice and cure periods provided herein shall run concurrently with any notice or cure periods provided by applicable law.

11.2 Remedies. Upon the occurrence of an Event of Default which is continuing and has not been cured pursuant to the applicable cure period set forth in Section 11.1 above, if any, and subject to Section 11.3 below, Landlord may exercise all rights and remedies under this Lease and the laws of the State in which the Premises is located available to a lessor of real and personal property in the event of a default by its lessee, and as to the Tenant Personal Property, including the Intangible Property, all remedies granted under the laws of such State to a secured

party under its Uniform Commercial Code. Without limiting the foregoing, Landlord shall have the right to do any of the following:

11.2.1 Sue for the specific performance of any covenant of Tenant under this Lease as to which Tenant is in breach;

11.2.2 Elect to leave this Lease in place, draw down on the Security Deposit to pay for any past due sums and sue for rent and/or other money damages as the same come due;

11.2.3 Before or after repossession of the Premises pursuant to Sections 11.2.6 and 11.2.7, and regardless of whether this Lease has been terminated, Landlord shall have the right (but shall be under no obligation except to the extent required under applicable law) to relet any portion of the Premises to such tenant or tenants, for such term or terms (which may be greater or less than the remaining balance of the Term), for such rent, or such conditions (which may include concessions or free rent) and for such uses, as Landlord, in its absolute discretion, may determine, and Landlord may collect and receive any rents payable by reason of such reletting. Landlord shall have no duty to mitigate damages unless required by applicable law and shall not be responsible or liable for any failure to relet any of the Premises or for any failure to collect any rent due upon any such reletting. Tenant agrees to pay Landlord, immediately upon demand, all expenses incurred by Landlord in obtaining possession and in reletting any of the Premises, including fees, commissions and costs of attorneys, architects, agents and brokers;

11.2.4 Exercise the remedies of a secured party under the applicable Uniform Commercial Code with respect to the Tenant Personal Property, including the Intangible Property;

11.2.5 Revoke any waiver or deferral given by Landlord of any Minimum Rent or Percentage Rent or other amount payable hereunder, and immediately thereafter all such deferred or waived amounts shall become immediately due and payable. The foregoing shall not be construed to mean that Landlord is under any obligation whatsoever to consider or grant any such deferral or waiver to Tenant;

11.2.6 Enter upon any portion of the Premises, terminate this Lease, dispossess Tenant from any portion of the Premises and/or collect money damages by reason of Tenant's breach if the Event of Default arises under Subsections 11.1.1-11.1.11, 11.1.13, 11.1.15, 11.1.16 and 11.1.17. In the event of any such termination or repossession of the Premises or any part thereof, Tenant shall pay to Landlord all Minimum Rent, Percentage Rent and other sums required to be paid by Tenant for the period to and including the date of such termination or repossession. Notwithstanding the foregoing, all obligations and liabilities of Tenant under this Lease accruing prior to such termination or repossession shall survive the termination of the Term; and

11.2.7 Enter upon any portion of the Premises, terminate this Lease, dispossess Tenant from any portion of the Premises and/or collect money damages by reason of Tenant's breach if the default arises under Subsections 11.1.12 and 11.1.14; provided, however, that such default shall not be deemed an Event of Default hereunder unless and until it has occurred more than twice during any calendar year of the Term, or more than four (4) times over the entire Term. In the event of any such termination or

repossession of the Premises or any part thereof, Tenant shall pay to Landlord all Minimum Rent, Percentage Rent and other sums required to be paid by Tenant for the period to and including the date of such termination or repossession. Notwithstanding the foregoing, all obligations and liabilities of Tenant under this Lease accruing prior to such termination or repossession shall survive the termination of the Term.

11.3 Cured Default. Notwithstanding anything contained in this Lease to the contrary, should a default of Tenant be waived pursuant to Section 11.4 or Section 11.7 below, or cured within the applicable cure period set forth in Section 11.1 above, such default shall no longer be deemed an Event of Default.

11.4 Waiver of Certain Defaults. Notwithstanding the provisions of Section 11.7 below, if an Event of Default occurs pursuant to Section 11.1.5, 11.1.6, 11.1.7, 11.1.8, 11.1.15 or 11.1.16 above, such Event of Default shall be deemed waived by Landlord provided that the following conditions are satisfied: (i) Landlord fails to exercise any of its remedies pursuant to Section 11.2 above within twelve (12) months after Landlord has either received (from Tenant) or given written notice of such Event of Default (the “**Default Period**”), (ii) Tenant cures the Event of Default to Landlord’s reasonable satisfaction within the Default Period, prior to Landlord’s exercise of any remedy hereunder, and (iii) neither Landlord nor Senior Lender shall suffer any economic harm or other adverse impact resulting from the Event of Default, as determined in Landlord’s reasonable discretion. Within three (3) Business Days after Tenant has notice or should, in the exercise of ordinary prudence, have had knowledge of the occurrence of an Event of Default (except as to Section 11.1.15, with respect to which Tenant shall provide written notice to Landlord of any such breach of any financial covenants within five (5) Business Days after Tenant has actual notice of such breach, but in no event later than

thirty (30) days after the end of the applicable fiscal quarter), Tenant shall provide written notice to Landlord of such Event of Default, and its intent to cure such Event of Default, if applicable. If Tenant fails to provide written notice to Landlord of such Event of Default in accordance with the immediately preceding sentence, or acts to prevent Landlord from exercising any of its remedies available pursuant to Section 11.2, all rights of Tenant under this Section 11.4 shall be deemed waived by Tenant. Notwithstanding any provision herein to the contrary, nothing contained in this Section 11.4 shall serve to extend the applicable cure period for Events of Default in the documents described in Sections 11.1.5, 11.1.6 and 11.1.7, if any, or for Events of Default occurring pursuant to Section 11.1.16.

11.5 Receivership. Tenant acknowledges that one of the rights and remedies that may be available to Landlord under applicable law is to apply to a court of competent jurisdiction for the appointment of a receiver to take possession of the Premises, to collect the rents, issues, profits and income of the Premises and to manage the operation of the Premises. Tenant further acknowledges that the revocation, suspension or material limitation of the certification of any portion of the Premises for provider status under Medicare or Medicaid (or successor programs) and/or the revocation, suspension or material limitation of a license relating to the operation of any portion of the Premises for its intended use under the laws of the State in which the Premises is located will materially and irreparably impair the value of Landlord's investment in the Premises. Therefore, in any of such events, and in addition to any other right or remedy of Landlord under this Lease, Landlord may petition any appropriate court for, and Tenant hereby consents to, the appointment of a receiver to take possession of the Premises, to manage the operation of the Premises, to collect and disburse all rents, issues, profits and income generated thereby and to preserve or replace to the extent possible any such license and provider certification for the Premises or to otherwise substitute the licensee or provider thereof. The

receiver shall be entitled to a reasonable fee for its services as a receiver. All such fees and other expenses of the receivership estate shall be added to the monthly rent due to Landlord under this Lease. Tenant hereby irrevocably stipulates to the appointment of a receiver under such circumstances and for such purposes and agrees not to contest such appointment.

11.6Late Charges. Tenant acknowledges that the late payment of any Minimum Rent, Percentage Rent or any other amounts due under this Lease will cause Landlord to lose the use of such money and incur costs and expenses not contemplated under this Lease, including, without limitation, administrative and collection costs and processing and accounting expenses, the exact amount of which is extremely difficult to ascertain. Therefore, (a) if any installment of Minimum Rent, Percentage Rent or any other amounts due under this Lease is not paid within three (3) days after the due date for such payment, then Tenant shall thereafter pay to Landlord on demand a late charge equal to five percent (5%) of the amount of any delinquent installments of Minimum Rent, Percentage Rent and other amounts due under this Lease and not paid on the due date; and (b) if any installment of Minimum Rent, Percentage Rent or other amounts due under this Lease is not paid within ten (10) calendar days after the due date for such payment, such unpaid amount shall accrue interest from the due date for such payment at the Prime Rate plus five percent (5%) per annum (the "**Agreed Rate**") (or the maximum rate permitted by law if less than the Agreed Rate). As used herein, "**Prime Rate**" shall mean the prime rate of interest charged by Bank of America, N.A. from time to time. Landlord and Tenant agree that this late charge and the accrual of interest at the Agreed Rate represent a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the loss suffered from any such nonpayment and/or delinquent payment by Tenant.

11.7 Remedies Cumulative; No Waiver. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter existing at law or in equity. No failure of Landlord to insist at any time upon the strict performance of any provision of this Lease or to exercise any option, right, power or remedy contained in this Lease shall be construed as a waiver, modification or relinquishment thereof as to any similar or different breach (future or otherwise) by Tenant. A receipt by Landlord of any rent or other sum due hereunder (including any late charge) with knowledge of the breach of any provision contained in this Lease shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in a writing signed by Landlord.

11.8 Performance of Tenant's Obligations by Landlord. If Tenant at any time shall fail to make any payment or perform any act on its part required to be made or performed under this Lease, then Landlord and/or Senior Lender may, without waiving or releasing Tenant from any obligations or default of Tenant hereunder, make any such payment or perform any such act for the account and at the expense of Tenant, and may enter upon any portion of the Premises for the purpose of taking all such action thereon as may be reasonably necessary therefore. No such entry shall be deemed an eviction of Tenant. All sums so paid by Landlord and all necessary and incidental costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection with the performance of any such act by Landlord, together with interest at the rate of the Agreed Rate (or if said interest rate is violative of any applicable statute or law, then the maximum interest rate allowable) from the date of the making of such payment or the incurring of such costs and expenses by Landlord, shall be payable by Tenant to Landlord on demand. Nothing in this section shall be construed to grant

Landlord the authority (or require Landlord) to engage in, including entry upon the Premises to engage in, the management or operation of the applicable Healthcare Use, to review confidential resident records, or to engage in any activity that would directly or indirectly create any responsibility or duty of or by Landlord to any resident of the Premises, it being the express intention of the parties that Tenant be solely responsible for operation of the Premises as the applicable Healthcare Use.

12. Security Deposit.

12.1 Amount of Security Deposit. As security for the performance of Tenant's obligations under this Lease, on or before the Effective Date Tenant shall provide a security deposit in the amount of One Million Three Hundred Thousand and 00/100 Dollars (\$1,300,000.00) (the "**Security Deposit Amount**") by wire transfer payable to Landlord. At Tenant's option, after the end of the third Lease Year, the Security Deposit may be evidenced by a Qualifying Letter of Credit.

12.2 General Provisions. Landlord may, from time to time, draw on and apply sums held as a security deposit hereunder (or draw against a Qualifying Letter of Credit) upon the occurrence of any Event of Default to cure any Event of Default. Within ten (10) Business Days of notice by Landlord of any such drawing or application, Tenant shall deposit additional cash with Landlord in the amount so applied as replenishment of the security deposit (if the Security Deposit Amount is in the form of cash) or deliver to Landlord a replacement Qualifying Letter of Credit in the full amount of the Security Deposit Amount (if the Security Deposit Amount is in the form of a Qualifying Letter of Credit). Landlord shall not be deemed a trustee as to such deposit. Tenant acknowledges that the Security Deposit Amount, or any portion thereof, and the Qualifying Letter of Credit, may be pledged or assigned to Senior Lender;

provided that the Security Deposit Amount may only be drawn down to (i) satisfy Tenant's obligations under this Lease or the obligations of any Subtenants under any Sublease and (ii) pay Indemnification Claims pursuant to the Purchase Agreement and Section 12.4 below. Any interest earned on the Security Deposit shall be disposed of in the same manner as the Security Deposit Amount.

12.3 End of Term. The remaining balance of the Security Deposit Amount (if in the form of cash) or the Qualifying Letter of Credit, less any amounts used by Landlord to satisfy Tenant's obligations hereunder or pay damages incurred due to any Event of Default, shall be returned to Tenant within ten (10) Business Days after the expiration of the Term.

12.4 Indemnification Claims. In the event that an Indemnification Claim is made pursuant to the Purchase Agreement, that is admitted or finally resolved in accordance with Section 7.4 of the Purchase Agreement, and the funds in the Indemnity Escrow are insufficient to pay such Indemnification Claim, then the Security Deposit Amount may be used to pay such Indemnification Claims pursuant to the terms of Section 7.8 of the Purchase Agreement.

13. Damage by Fire or Other Casualty.

13.1 Reconstruction Using Insurance.

13.1.1 In the event of the damage or destruction of any portion of the Premises, Tenant shall immediately notify Landlord (but in no event later than twenty-four hours after such damage or destruction) and, provided that Senior Lender consents to use of the proceeds to repair, diligently repair or reconstruct the same to a like or better condition than existed prior to such damage or destruction. Any insurance proceeds payable with respect to the casualty shall be held and used in the manner determined by Senior Lender and

Landlord. In the event the net insurance proceeds are used for the repair or reconstruction of the applicable portion of the Premises, the proceeds shall be subject to reasonable disbursement controls in favor of Landlord or its Senior Lender. If such proceeds are insufficient for the repairs or reconstruction of the damaged portion of the Premises, Tenant shall provide the required additional funds. If Senior Lender prohibits the use of the funds for repairs or reconstruction, the insurance proceeds shall be utilized by Senior Lender to pay down debt owed to it.

13.1.2 Notwithstanding anything to the contrary in Section 13.1.1 above, and provided that (i) Tenant has paid to Landlord all Rent and other amounts due under the Lease through the date of such damage or destruction, (ii) the loss due to damage or destruction exceeds 50% of the full replacement value of the affected Facility, (iii) Senior Lender prohibits the use of the insurance proceeds for repairs or reconstruction and uses the insurance proceeds to pay down debt owed to it (except if any portion of the insurance proceeds is unavailable for repair or reconstruction due to any acts or omissions of Tenant or any Subtenant), and (iv) Landlord fails to repair or reconstruct the affected Facility to substantially the same condition as existed prior to such damage or destruction within eighteen (18) months after the date of such damage or destruction, then Tenant may, at Tenant's election, made within thirty (30) days after Landlord provides written notice to Tenant that the affected Facility will not be repaired to substantially the same condition as existed prior to such damage or destruction within the time period set forth in (iv) above, terminate this Lease with respect to the affected Property only. In the event of termination of this Lease as to the affected Property, Minimum Rent shall be adjusted in accordance with Schedule 13.1.

13.1.3 In the event that the loss due to damage or destruction is equal to 50% or less than the full replacement value of the affected Facility, and Senior Lender prohibits the use of the insurance proceeds for repairs or reconstruction and uses the insurance proceeds to pay down debt owed to it (except if any portion of the insurance proceeds is unavailable for repair or reconstruction due to any acts or omissions of Tenant or any Subtenant), then, provided that Tenant shall continue the operation of the Property for the Healthcare Use, the Minimum Rent for the affected Facility shall be adjusted as mutually agreed by Landlord and Tenant and approved by Senior Lender.

13.2 Surplus Proceeds. If there remains any surplus of insurance proceeds after the completion of the repair or reconstruction of the applicable portion of the Premises, and provided that such repair or reconstruction of the Premises is reasonably acceptable to Landlord, such surplus shall be paid to Tenant, provided that no Event of Default has occurred hereunder.

13.3 No Rent Abatement. The rent payable under this Lease shall not abate by reason of any damage or destruction of any portion of the Premises by reason of an insured or uninsured casualty; provided, however, that Tenant shall receive a credit against the rent and other sums due hereunder in an amount equal to the proceeds of any rental value and/or business interruption insurance carried by Tenant, which are paid to Landlord. Tenant hereby waives all rights under applicable law to abate, reduce or offset rent by reason of such damage or destruction.

14. Condemnation.

14.1 Complete Taking. If during the Term all or substantially all of any Property is taken or condemned by any competent public or quasi-public authority, and provided that (i) Tenant has paid Landlord all Rent and other amounts due pursuant to this Lease through the date

of such taking or condemnation, (ii) Landlord or Senior Lender fails to make available for rebuilding the proceeds from any award, and (iii) Landlord fails to repair the affected Facility to substantially the same condition as existed prior to such taking or condemnation within eighteen (18) months after the date of such taking or condemnation, then, Tenant may, at Tenant's election, made within thirty (30) days after Landlord provides written notice to Tenant that the affected Facility will not be repaired to substantially the same condition as existed prior to such taking or condemnation within the time period set forth above, terminate this Lease with respect to the affected Property only. The award payable upon such taking shall be paid to Landlord, and Tenant shall be entitled to seek a separate claim from the condemning authority for Tenant's damages. In the event of a termination of the Lease as to the affected Property, Minimum Rent shall be adjusted in accordance with Schedule 13.1.

14.2 Partial Taking. In the event such condemnation proceeding or right of eminent domain results in a taking of less than all or substantially all of a Property, and such taking does not prevent Tenant from operating the Premises for the Healthcare Use, Landlord shall be entitled to receive and retain any and all awards for the partial taking and damage except that Tenant shall be entitled to seek a separate claim from the condemning authority for Tenant's damages, including but not limited to moving expenses, and any unamortized capital addition costs paid by the Tenant. Notwithstanding the preceding sentence, such proceeds shall be held and used in the manner required by the Senior Loan documents. Tenant shall promptly proceed to restore, replace, repair or rebuild the affected Premises to the extent practicable to be of substantially equal value and of substantially the same character as prior to the taking, provided that the award proceeds are made available to Tenant as soon as practicable after such award proceeds are available from the condemning authority. If such proceeds are insufficient for the repairs or reconstruction of the Premises,

Tenant shall provide the required additional funds. The Minimum Rent for the affected Facility shall be adjusted as mutually agreed by Landlord and Tenant and approved by Senior Lender, provided that Tenant shall continue the operation of the Premises for the Healthcare Use.

14.3 Lease Remains in Effect. Except as provided above, this Lease shall not terminate and shall remain in full force and effect in the event of a taking or condemnation of any portion of the Premises, and unless stated otherwise in the provisions of this Lease, Tenant hereby waives all rights under applicable law to abate, reduce or offset rent by reason of such taking.

15. Provisions on Termination of Term.

15.1 Surrender of Possession. Tenant shall, on or before the last day of the Term, or upon earlier termination of this Lease, (a) surrender to Landlord the Premises (including, subject to all applicable laws, all resident charts and resident records along with appropriate patient and resident consents if necessary and inventories and supplies at normal operating levels) in good condition and repair, ordinary wear and tear excepted (b) upon Landlord's written request, shall to the greatest extent permitted by law, transfer to Landlord or its designees or assigns, the following: (i) all federal, state or municipal licenses, certifications, certificates, approvals, permits, variances, waivers, provider agreements and other authorizations certificates which relate to the operation of the Healthcare business at the Premises, except for the right to the use of Tenant's name; and (ii) the name of the health care facility comprising the Premises as then known to the general public, (c) prepare and file all notices required by applicable law in connection with such termination, and (d) execute the Exit Operations Transfer Agreement attached hereto as Exhibit D (the "Exit Agreement"). If Tenant fails or refuses to

transfer any such license, certification, certificate, approval, permit, variance, waiver, provider agreement, other authorization or trade name, then this provision shall constitute an act of assignment by Tenant to Landlord or its assigns without the necessity of any further written instrument. Landlord shall have the option of taking over the operation of the Healthcare Use at the Premises, or to have the operation of the business taken over by a designee, in the event of a termination of this Lease for any reason, without assuming any of Tenant's liabilities or obligations. Landlord shall give Tenant written notice of Landlord's intent to exercise the right set forth above, in which event, upon the approval of the applicable State agency or agencies of the change of ownership, Tenant shall immediately turn over possession and control of the Healthcare Use at the Premises without any further action having to be taken on the part of Landlord. Further, if an Event of Default occurs hereunder, Tenant hereby appoints Landlord its true and lawful attorney by this instrument and by the limited power of attorney attached to this Lease as Exhibit E, said appointment being coupled with an interest, to execute the Exit Agreement on behalf of Tenant and to execute on behalf of Tenant a letter of consent in a form acceptable to Landlord enabling Landlord or its designee to file applications to operate a nursing home with the applicable State agencies and every other regulatory agency now or hereafter claiming jurisdiction and to operate the healthcare business at the Premises during the pendency of such application. This provision shall be enforceable in a court of law and shall be effective by operation of law.

15.2 Removal of Personal Property. If Tenant is not then in default hereunder, Tenant shall have the right in connection with the surrender of the Premises to remove from the Premises all Tenant Personal Property, except that Tenant shall not remove (a) the Landlord Personal Property (including Landlord Personal Property replaced by Tenant), (b) any Tenant Personal Property subject to a capital lease or financing arrangement as of the Effective Date, as

set forth on Schedule 15.2 attached hereto, or (c) any Tenant Personal Property required by the State in which the Premises is located or any other governmental entity to operate the Premises for the purpose set forth in Section 6.3 above ("Governmental Required Property"); provided, however, Landlord shall pay to Tenant the depreciated book value in accordance with GAAP of such Governmental Required Property. In addition, at Landlord's option, Tenant shall remove Tenant Personal Property so designated by Landlord in writing. Any such removal shall be done in a workmanlike manner leaving the Premises in good and presentable condition and appearance, including repair of any damage caused by such removal. At the end of the Term or upon the earlier termination of this Lease, Tenant shall return (and cause each Subtenant to return) the Premises to Landlord with the Landlord Personal Property (or replacements thereof) together with the other Governmental Required Property in the same condition and utility as was delivered to Tenant at the commencement of the Term, reasonable wear and tear excepted, and transfer to Landlord all Intangible Property except for Tenant's (or Subtenants') accounts receivable (unless this Lease was terminated because of an Event of Default by Tenant, in which event Landlord shall have the right, subject to any subordination as set forth in Section 8.4, to enforce its security interests in Tenant's, or Subtenants', accounts receivable). Tenant covenants and agrees that it shall not, and shall not allow Subtenant to, sell, move, modify, transfer, assign, sell, relocate, pledge, secure, convey or in any other manner encumber Landlord's Personal Property, any certificate of need or any of the licensed or Medicare and/or Medicaid certified beds at the Premises or any other Intangible Property, or attempt to do same. Tenant acknowledges that it has no interest or rights in any certificate of need issued in connection with the Premises.

15.3 Title to Personal Property Not Removed. Title to any of Tenant Personal Property which is not removed by Tenant upon the expiration of the Term shall, at Landlord's

election, vest in Landlord; provided, however, that Landlord may remove and dispose at Tenant's expense of any or all of such Tenant Personal Property which is not so removed by Tenant without obligation or accounting to the Tenant.

15.4 Transition of Premises. Upon the expiration or earlier termination of the Term, Landlord, upon written notice to Tenant, may inform Tenant that the responsibilities and obligations for the management and operation of the Premises shall be transferred to and assumed by a new tenant designated by Landlord, and Tenant agrees to cooperate fully (and cause each Subtenant to cooperate fully) with Landlord and such new tenant to accomplish the transfer of such management and operation without interrupting the operation of the Premises. Tenant shall not commit (or permit any Subtenant to commit) any act or be remiss in the undertaking of any act that would jeopardize any licensure or certification of the Premises, and Tenant shall comply (and cause each Subtenant to comply) with all requests for an orderly transfer of all licenses used in the operation of the Premises, Medicare and Medicaid (or any successor program) certifications and possession of the Premises at the time of any such surrender to the extent permitted by applicable law. Upon the expiration or earlier termination of the Term, subject to applicable laws, Tenant shall promptly deliver copies of all of Tenant's and Subtenants' books and records relating to the Premises and its operations to Landlord.

16. Notices and Demands. All notices and demands, certificates, requests, consents, approvals, and other similar instruments under this Lease shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to Tenant: Grace Master Tenant, LLC

7201 Shallowford Road, Suite 200
Chattanooga, Tennessee 37421
Attn: John O'Brien, Jr. and Craig Taylor

with a simultaneous copy to:

Miller & Martin PLLC
832 Georgia Avenue, Suite 1000
Chattanooga, Tennessee 37402
Attn: Hugh F. Sharber, Esq.
Fax No. (423) 321-1562
Phone: (423) 785-8212

If to Landlord: Crown Master Landlord, LLC
1035 Powers Place
Alpharetta, GA 30004
Attn: Michael T. Jones
Fax No. (770) 754-3085
Phone: (800) 845-1695

with a simultaneous copy to:

Williams Mullen
222 Central Park Avenue, Suite 1700
Virginia Beach, Virginia 23462
Attn: Lawrence R. Siegel
Fax No: (757) 473-0395
Phone: (757) 473-5321

Such addresses may be changed by notice to the other parties given in the same manner as provided above. Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be given. If Tenant fails at any time to provide to Landlord a current address for notice purposes, notice may be made to any officer, general partner or principal of Tenant.

17. **Right of Entry.** Landlord and its representatives may enter any portion of the Premises at any reasonable time after reasonable notice to Tenant for the purpose of inspecting

the Premises to determine whether the Tenant is in compliance with its obligations to maintain the Premises under Sections 6.1, 6.2 and 6.5; following Tenant's default under this Lease; to exhibit the Premises or portions thereof for sale, lease or mortgage financing; or for posting notices of default, or non-responsibility under any mechanic's or materialman's lien law. Landlord may enter any portion of the Premises at anytime for emergency purposes. Any such entry shall not unreasonably or materially interfere with residents, patients, patient care, or any other of Tenant's operations. During normal business hours and to the extent permitted by applicable laws, Tenant will permit Landlord and Landlord's representatives, inspectors and consultants to examine and copy such contracts, books and records regarding the Premises as may be necessary to evidence Tenant's compliance with this Lease. Nothing in this section shall be construed to grant Landlord the authority to engage in, including entry upon the Premises to engage in, the management or operation of the applicable Healthcare Use, to review confidential resident records, or to engage in any activity that would directly or indirectly create any responsibility or duty of or by Landlord to any resident of the Premises, it being the express intention of the parties that Tenant be solely responsible for operation of the Premises as the applicable Healthcare Use.

18. Landlord May Grant Liens. Without the consent of Tenant, Landlord may, subject to the terms and conditions set forth below in this Section 18, from time to time, directly or indirectly, create or otherwise cause to exist any lien, mortgage, encumbrance or title retention agreement ("Encumbrance") upon the Premises, or any portion thereof or interest therein (including this Lease), whether to secure any borrowing or other means of financing or refinancing or otherwise. Upon the execution of this Lease and upon the request of Landlord from time to time, Tenant shall subordinate this Lease to the lien of a new Encumbrance on the Premises or any portion thereof or interest therein and will, within ten (10) Business Days of any

such request, execute a subordination agreement that is in form reasonably acceptable to Landlord and the proposed lender on the condition that the proposed lender agrees not to disturb Tenant's rights under this Lease so long as Tenant is not in default hereunder. Upon request of any such lender, Tenant shall attorn to and acknowledge the foreclosure purchaser or purchasers as Landlord hereunder.

19. **Quiet Enjoyment.** So long as there is no Event of Default by Tenant, Landlord covenants and agrees that Tenant shall peaceably and quietly have, hold and enjoy the Premises for the Term, free of any claim or other action not caused or created by Tenant (excepting, however, intrusion of Tenant's quiet enjoyment occasioned by condemnation or destruction of the property as referred to in Sections 13 and 14 hereof).

20. **Applicable Law.** This Lease shall be governed by and construed in accordance with ~~the internal laws of the State of Georgia without regard to the conflict of laws rules of such State.~~ The remedies available to Landlord on the occurrence of an Event of Default shall, however, be governed by the laws of the State where the applicable portion of the Premises is located.

21. **Preservation of Revenues.**

21.1 Tenant acknowledges that the diversion of residents and/or patient care activities from the Premises to other property owned or operated by Tenant or its Affiliates at or near the end of the Term will have a material adverse impact on the value and utility of the Premises.

21.1.1 During the Term and for a period of three (3) years after the expiration or any earlier termination of the Term due to an Event of Default (the "**Restricted Period**"), neither Tenant, its Affiliates, nor any of Tenant's Principals shall directly or indirectly,

as an agent, consultant, advisor (other than as a member of boards or committees generally addressing health care needs and facilities in the applicable jurisdiction), equity holder, joint venturer, partner, manager, or any other representative capacity, on its own behalf or on the behalf of others, develop, construct, own, manage, operate, control, or own a beneficial interest in any Person that engages in or owns, invests in, operates, manages or controls any entity engaged in the provision of services relating to a "skilled nursing facility," as that term is defined by federal law, or any other similar long-term or short-term senior care nursing facility (the "**Business**") that is within a fifteen (15) mile radius outward from the outside boundary of the Premises known as Leewood Healthcare Center, Frederick Villa Nursing & Rehabilitation Center, Jacaranda Manor and Royal Palm Convalescent Center, or a twenty-five (25) mile radius outward from the outside boundary of the Premises known as Raintree Manor, Soddy Daisy Health Care and Grace Healthcare of Abingdon. All distances shall be measured on a straight line rather than on a driving basis. Should Landlord or its Affiliates develop, construct, acquire, own, or lease any facility or institution (including the renovation of any existing structure that competes (or will compete) in any way with, directly or indirectly, or is comparable in any way to the Premises within a fifteen (15) mile radius outward from the outside boundary of the Premises known as Leewood Healthcare Center, Frederick Villa Nursing & Rehabilitation Center, Jacaranda Manor and Royal Palm Convalescent Center, or a twenty-five (25) mile radius outward from the outside boundary of the Premises known as Raintree Manor, Soddy Daisy Health Care and Grace Healthcare of Abingdon, Landlord or its Affiliates shall give Tenant or Tenant's Affiliates a first right to operate any such facility upon commercially reasonable terms and conditions to be agreed upon by the parties, except if such facility is part of a portfolio acquisition. Notwithstanding the foregoing and for the avoidance of doubt, it is understood and agreed that an assisted or independent living facility shall not be within the definition of

Business. The foregoing restrictive covenants shall not restrict in any manner the ownership of passive investments in securities not constituting more than five percent (5%) collectively by the Restricted Parties of the outstanding securities of any class of publicly-traded securities.

21.1.2 Tenant hereby covenants and agrees that for a period of five (5) years following the expiration or earlier termination of this Lease, neither Tenant nor any of its Affiliates shall, without prior written consent of Landlord, hire, engage or otherwise employ or solicit for employment any management or supervisory personnel working on or in connection with the Premises.

21.1.3 Tenant hereby covenants and agrees that in the event of a proposed change or replacement of personnel in either an Executive Director or Director of Nursing position at a Facility, Tenant shall provide at least fifteen (15) days prior written notice to Landlord before the start date of the replacement personnel which such notice shall include in reasonable detail the qualifications of the proposed new personnel, who shall possess similar or better qualifications and skills as the personnel being replaced.

21.1.4 Except as required for medically appropriate reasons, prior to the expiration or any earlier termination of the Term and for a period of five (5) years thereafter, neither Tenant nor any of its Affiliates will recommend or solicit the removal or transfer of any resident or patient or equipment from the Premises to any other nursing or health care facility, or to any senior housing or retirement housing facility.

21.2 During the Initial Term and any Renewal Terms of this Lease, the following persons shall be actively involved with the operation of Tenant's business on the Premises: Stan Burton, CEO and Trent Tolbert, President (the "Key Personnel"). In the event that any Key

Personnel's employment with Tenant is discontinued for any reason, Tenant shall provide written notice to Landlord, as well as a plan of recruitment for replacement of Key Personnel within fifteen (15) business days after Tenant has notice of such discontinuance of employment. Tenant shall use its best efforts to replace such Key Personnel with a person having similar or better qualifications and experience, in Landlord's reasonable discretion, within ninety (90) days after the date of such notice to Landlord, subject to the review and approval of Landlord. If the Key Personnel is not replaced within 90 days after the date of such notice to Landlord, then Landlord shall have the option to terminate this Lease, by delivering not less than thirty (30) days prior written notice to Tenant. In the event of a termination of this Lease pursuant to this Section 21.2, the provisions of Section 15 herein shall apply.

22. Hazardous Materials.

22.1 Hazardous Material Covenants. Tenant's use of the Premises shall comply with all Hazardous Materials Laws. In the event any Environmental Activities occur or are suspected to have occurred in violation of any Hazardous Materials Laws or if Tenant has received any Hazardous Materials Claim against any portion of the Premises relating to activities or omissions committed during the Term, excluding those Environmental Activities directly caused by Landlord or those acting on behalf and at the direction of Landlord, Tenant shall promptly obtain all permits and approvals necessary to remedy any such actual or suspected problem through the removal of Hazardous Materials or otherwise, and upon Landlord's approval of the remediation plan, remedy any such problem to the satisfaction of Landlord and all applicable governmental authorities, in accordance with all Hazardous Materials Laws and good business practices.

22.2 Tenant Notices to Landlord. Tenant shall immediately advise Landlord in writing of:

22.2.1 any Environmental Activities in violation of any Hazardous Materials Laws,

22.2.2 any Hazardous Materials Claims against Tenant or any portion of the Premises relating to activities or omissions committed during the Term,

22.2.3 any remedial action taken by Tenant in response to any Hazardous Materials Claims or any Hazardous Materials on, under or about any portion of the Premises in violation of any Hazardous Materials Laws,

22.2.4 Tenant's discovery of any occurrence or condition on or in the vicinity of any portion of the Premises that materially increases the risk that any portion of the Premises will be exposed to Hazardous Materials, and/or

22.2.5 all communications to or from Tenant, any governmental authority or any other Person relating to Hazardous Materials Laws or Hazardous Materials Claims with respect to any portion of the Premises, including copies thereof.

22.3 Remediation. If (i) Tenant becomes aware of a violation of any Hazardous Material Laws relating to any Hazardous Materials in, on or under the Premises or any adjacent property thereto; (ii) Tenant, Landlord or the Premises becomes subject to any order of any governmental authority or any Hazardous Materials Claims to repair, close, detoxify, decontaminate or otherwise remediate the Premises; or (iii) Tenant's actions, including but not limited to, any renovations or repairs to the Premises, cause the Tenant to remediate any environmental conditions disclosed in the Phase I Environmental Assessments Reports described

on Schedule 22 ("**Phase I Reports**") ("**Existing Environmental Conditions**"), Tenant shall immediately notify Landlord of such event and, at its sole cost and expense with respect to any such Hazardous Materials in, on, under, or about the Premises (but not adjacent thereto unless caused by Tenant), cure such violation or effect such repair, closure, detoxification, decontamination or other remediation. Notwithstanding the foregoing, Tenant shall not be responsible for the remediation of Hazardous Materials on the Premises directly caused by Landlord or those acting on behalf and at the direction of Landlord.

22.4 Indemnity. Tenant shall indemnify, defend, protect, save, hold harmless, and reimburse Landlord and Senior Lender and their respective directors, officers, shareholders, partners, managers, members, affiliates, agents, employees, successors and assigns for, from and against any and all Environmental Costs (whether or not arising out of third-party claims and regardless of whether liability without fault is imposed, or sought to be imposed, on Landlord or Senior Lender) incurred in connection with, arising out of, resulting from or incident to, directly or indirectly (i) the production, use, generation, spilling, depositing, leaching, dumping, storage, treatment, transporting, disposal, discharge, release or other handling or disposition of any Hazardous Materials (collectively, "**Handling**") by Tenant or any Subtenants from, in, on or about the Premises, including the effects of such Handling of any Hazardous Materials on any Person or property within or outside the boundaries of the Premises; (ii) the presence of any Hazardous Materials in, on, under or about the Premises or any adjacent Property; (iii) or the violation of any Hazardous Material Laws (including Hazardous Material Laws); and (iv) the imposition of any lien related to any Environmental Activity. Without limiting the scope or generality of the foregoing, except for any environmental conditions caused or created solely by Landlord, or those acting on Landlord's behalf, Tenant expressly agrees to reimburse Landlord or Senior Lender for any and all costs and expenses incurred by Landlord or Senior Lender:

(A) In investigating any and all matters relating to the Handling of any Hazardous Materials, in, on, from, under or about the Premises;

(B) In bringing the Premises into compliance with all Hazardous Material Laws;

(C) Removing, treating, storing, transporting, cleaning-up and/or disposing of any Hazardous Materials handled in, on, from, under or about the Premises or offsite; and

(D) Subject to the right of Tenant to contest any such claim, if any claim is made hereunder, Tenant agrees to pay such claim promptly, and in any event to pay such claim within thirty (30) calendar days after receipt by Tenant of notice thereof.

22.5 Environmental Inspection. Landlord shall have the right, from time to time, and upon not less than five (5) days written notice to Tenant, except in the case of any emergency in which event no notice shall be required, to conduct an inspection of the Premises to determine the existence or presence of Hazardous Materials on or about the Premises and/or the documentation relative to Hazardous Materials or Environmental Matters in Tenant's possession. Landlord shall have the right to enter and inspect the Premises, conduct any testing, sampling and analyses it deems necessary and shall have the right to inspect materials brought into the Premises. Landlord may, in its discretion, retain such experts to conduct the inspection, perform the tests referred to herein, and to prepare a written report in connection therewith. Provided that Landlord's decision to conduct an environmental inspection is reasonable, or if such inspection detects any Environmental Activities in violation of Hazardous Material Laws, all costs and expenses incurred by Landlord under this Section shall be paid on demand by

Tenant to Landlord. Failure to conduct an environmental inspection or to detect unfavorable conditions if such inspection is conducted shall in no fashion be intended as a release of any liability for environmental conditions subsequently determined to be associated with or to have occurred during Tenant's tenancy. Tenant shall remain liable for any environmental condition related to or having occurred during its tenancy regardless of when such conditions are discovered and regardless of whether or not Landlord conducts an environmental inspection at the termination of the Lease. The obligations set forth in this Article shall survive the expiration or earlier termination of the Lease.

22.6 Remediation Escrow. Notwithstanding any other provision of this Lease, in the event any Hazardous Materials are discovered on, under or about any portion of the Premises in violation of any Hazardous Materials Law and such Hazardous Materials become located on, under or about any portion of the Premises during the Term, and Landlord elects to terminate this Lease, then at Landlord's option, and with the consent of Senior Lender, the Security Deposit shall be retained by Landlord except such portion of the Security Deposit as shall be necessary to pay for the completion of all remedial action or monitoring by Tenant, in accordance with all Hazardous Materials Laws, as approved by Landlord in its reasonable discretion (the "**Remediation Payment**"). Landlord shall provide the Remediation Payment to Tenant within ten (10) Business Days after receipt of a fully signed contract for the performance of such remedial action or monitoring between Tenant and a qualified environmental consultant or contractor, reasonably acceptable to Landlord. In addition, at Landlord's option, the Term may be extended and this Lease shall remain in full force and effect until the completion of all remedial action or monitoring as approved by Landlord, in accordance with all Hazardous Materials Laws. In either event, if the Security Deposit Amount is not sufficient to pay for the required remedial action or monitoring by Tenant, then within ten (10) days after receipt of

written notice from Landlord, Tenant shall deposit additional cash with Landlord or deliver to Landlord a Qualifying Letter of Credit in an amount sufficient to pay for all costs of any remedial action or monitoring as required by all Hazardous Materials Laws (the "**Remediation Escrow**"). Landlord shall make funds available from the Remediation Escrow to reimburse Tenant for its costs in performing the remedial action or monitoring as required by all Hazardous Materials Laws. The provisions of this **Section 22.6** shall survive the termination of this Lease.

22.7 Participation in Hazardous Materials Claims. Landlord shall have the right, at Landlord's sole cost and expense (including, without limitation Landlord's reasonable attorney's fees and costs), with counsel chosen by Landlord, to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims.

23. Assignment and Subletting.

23.1 With the exception of the Subleases, Tenant shall not, without the prior written consent of Landlord, which consent shall be within the sole discretion of the Landlord, assign this Lease or any interest herein or sublet the Premises or any part thereof (an "**Assignment**"). For the purposes of this Lease, the following shall be considered an Assignment of this Lease by Tenant: (a) any management or similar agreement relating to the operation and/or control of the Premises; **provided, however,** the parties acknowledge and agree that Tenant intends to enter into the management agreement with an Affiliate of Tenant, as permitted pursuant to the terms of **Section 40** of this Lease, (b) any change (voluntary or involuntary, by operation of law or otherwise), directly or indirectly, in the Persons which ultimately exert effective Control over the management of the affairs of Tenant or any Subtenant as of the date hereof and (c) any assignment or sublease to any unrelated third party operator. Any of the

foregoing acts without such consent shall be void and shall, at the option of Landlord in its sole discretion, constitute an Event of Default giving rise to Landlord's right, among other things, to terminate this Lease. Notwithstanding the foregoing prohibition on changes in Control of the Tenant or any Subtenant, the following transfers shall be permitted, with at least thirty (30) days prior written notice to Landlord: (i) any transfer or assignment of interest made to an immediate family member for estate planning purposes, or (ii) any transfers of interest among the Tenant's Principals or their Affiliates, provided, that, at the time of such transfer pursuant to this subsection (ii), and for the remainder of the Term, the Tenant and Subtenant shall be Controlled by one or more of Tenant's Principals. Without limiting the foregoing, this Lease shall not, nor shall any interest of Tenant herein, be assigned or encumbered by operation of law without the prior written consent of Landlord, which may be withheld at Landlord's sole discretion. Except with respect to Subtenants and as qualified in Section 3.2(f) herein, Tenant shall not sublet the Premises on any basis such that the rental to be paid by the sublessee thereunder would be based, in whole or in part, on either the income or profits derived by the business activities of the sublessee, or any other formula, such that any portion of the sublease rental received by Landlord would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the U.S. Internal Revenue Code, or any similar or successor provision thereto.

23.2 For the purpose of this Lease the transfer, assignment, sale, hypothecation or other disposition of any stock or membership interests of Tenant or any Subtenant or any agreement which results in either (a) a change in the Person(s) which ultimately (directly or indirectly, voluntary or involuntary, by operation of law or otherwise) exerts effective Control over the management of the affairs of Tenant or any Subtenant as of the Effective Date, or (b) the transfer of more than fifty percent (50%) in the aggregate of the stock or membership

interests of Tenant or any Subtenant in a single transaction or series of transactions, shall be deemed to be an Assignment of this Lease.

23.3 Landlord acknowledges that Tenant or Subtenants have entered into a management agreement or agreements with Manager for the Premises. Tenant hereby agrees that it shall require that the Manager agree in writing that the Manager's right to receive compensation shall be subordinate to the right of Landlord to receive Minimum Rent and other payments required under this Lease, in accordance with Section 40. Tenant may not amend or modify any such management agreements without Landlord's prior written consent.

23.4 Upon any transfer or assignment of this Lease, Landlord, Tenant and the new tenant or assignee (as the case may be) will enter into assignment and assumption agreements in form and content satisfactory to the parties including the granting of security interests that are provided to Landlord under this Lease.

23.5 Tenant represents and warrants that it has provided to Landlord an organizational structure chart of Tenant and all Subtenants showing the ownership of Tenant and Subtenants and each Person that ultimately exerts effective Control over the management of the affairs of Tenant and Subtenants as of the date of this Lease. Tenant shall provide to Landlord a revised organizational structure chart at least three (3) Business Days before any changes in any of the Persons who ultimately exert effective Control over the management of the affairs of Tenant and Subtenants depicted on such chart are to become effective.

24. Indemnification. In addition to the other indemnities contained herein, to the fullest extent permitted by law, Tenant agrees to protect, indemnify, defend and save harmless Landlord, their respective directors, officers, shareholders, partners, members, manager, agents,

affiliates, employees, successors and assigns from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from any suits, claims or demands regardless of the merits of any such alleged suit, claim or demand, on account of any matter or thing, action or failure to act arising out of or in connection with this Lease (including, without limitation, the breach by Tenant of any of its obligations hereunder), the Premises, or the operations of Tenant or any Subtenant on any portion of the Premises, including, without limitation, all Environmental Activities on any portion of the Premises unless caused solely by the gross negligence or willful misconduct of Landlord, Senior Lender or their respective directors, officers, shareholders, partners, members, manager, agents, affiliates, employees, successors and assigns. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Landlord believes is covered by this indemnity, Landlord shall give Tenant notice of the matter. Tenant shall defend Landlord against all matters covered by this indemnity at Tenant's sole cost and expense (including, without limitation, attorneys' fees and costs) with legal counsel satisfactory to Landlord in their reasonable discretion. Landlord may elect to defend the matter with its own counsel at Tenant's expense. Notwithstanding anything to the contrary in this Lease, Tenant shall not be required to indemnify Landlord pursuant to this Section 24 to the extent that the subject claim occurred prior to the commencement of the term of this Lease or after the date Tenant vacates and surrenders possession of the Premises to Landlord following expiration or early termination of the Term of this Lease.

25. Holding Over. If Tenant shall for any reason remain in possession of any portion of the Premises after the expiration or earlier termination of this Lease, such possession shall be a month-to-month tenancy during which time Tenant shall pay as rental each month, one and a half

(1.5) times the aggregate of the monthly Minimum Rent payable with respect to the last Lease Year plus Percentage Rent allocable to the month, all additional charges accruing during the month and all other sums, if any, payable by Tenant pursuant to the provisions of this Lease with respect to the Premises. Nothing contained herein shall constitute the consent, express or implied, of Landlord to the holding over of Tenant after the expiration or earlier termination of this Lease, nor shall anything contained herein be deemed to limit Landlord's remedies pursuant to this Lease or otherwise available to Landlord at law or in equity.

26. Estoppel Certificates. Tenant shall, upon not less than ten (10) Business Days prior written request by Landlord, execute, acknowledge and deliver to Landlord or its designee a statement in writing, executed by an officer, manager or general partner of Tenant, certifying that this Lease is unmodified and in full force and effect (or, if there have been any modifications, that this Lease is in full force and effect as modified, and setting forth such modifications), the dates to which Minimum Rent, Percentage Rent and additional charges hereunder have been paid, certifying that, to the best of Tenant's knowledge, no default by either Landlord or Tenant exists hereunder or specifying each such default and as to other matters as Landlord may reasonably request.

27. Conveyance by Landlord. If Landlord or any successor owner of the Premises shall convey all or any portion of the Premises in accordance with the terms hereof, Landlord or such successor owner shall thereupon be released from all future liabilities and obligations of Landlord under this Lease arising or accruing from and after the date of such conveyance or other transfer as to all or such portion of the Premises and all such future liabilities and obligations shall be expressly assumed and be binding upon the new owner.

28. Waiver of Jury Trial. Landlord and Tenant hereby waive any rights to trial by jury in any action, proceedings or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with this Lease, including, without limitation, the relationship of Landlord and Tenant, Tenant's use and occupancy of the Premises, or any claim of injury or damage relating to the foregoing or the enforcement of any remedy hereunder.

29. Attorneys' Fees. If Landlord or Tenant brings any action to interpret or enforce this Lease, or for damages for any alleged breach hereof, the prevailing party in any such action shall be entitled to reasonable attorneys' fees and costs as awarded by the court in addition to all other recovery, damages and costs.

30. Severability. In the event any part or provision of the Lease shall be determined to ~~be invalid or unenforceable, the remaining portion of this Lease shall nevertheless continue in~~ full force and effect.

31. Counterparts. This Lease may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

32. Binding Effect. Subject to the provisions of Section 23 above, this Lease shall be binding upon and inure to the benefit of Landlord and Tenant and their respective heirs, personal representatives, successors in interest and assigns.

33. Memorandum of Lease. Landlord and Tenant shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the State(s) in which the Premises are located in which reference to this Lease shall

be made. The party requesting such recordation shall pay all costs and expenses of preparing and recording such memorandum of this Lease.

34. **Incorporation of Recitals and Attachments.** The Recitals and Exhibits, Schedules, addenda and other attachments to this Lease are hereby incorporated into this Lease and made a part hereof.

35. **Titles and Headings.** The titles and headings of sections of this Lease are intended for convenience only and shall not in any way affect the meaning or construction of any provision of this Lease.

36. **Usury Savings Clause.** Nothing contained in this Lease shall be deemed or construed to constitute an extension of credit by Landlord to Tenant. Notwithstanding the foregoing, in the event any payment made to Landlord hereunder is deemed to violate any applicable laws regarding usury, the portion of any payment deemed to be usurious shall be held by Landlord to pay the future obligations of Tenant as such obligations arise and, in the event Tenant discharges and performs all obligations hereunder, such funds will be reimbursed to Tenant upon the expiration of the Term. No interest shall be paid on any such funds held by Landlord.

37. **Joint and Several.** If more than one Person or entity is the Tenant hereunder, the liability and obligations of such Persons or entities under this Lease shall be joint and several.

38. **Survival of Representations, Warranties and Covenants.** All of the obligations (accruing prior to the date of expiration or earlier termination of this Lease), representations, warranties and covenants of Tenant under this Lease shall survive the expiration or earlier termination of the Term, for a period of three (3) years, including, without limitation, Tenant's

obligations to pay rent and other sums under this Lease following the occurrence of an Event of Default and the termination of this Lease pursuant to Section 11.2.6 or 11.2.7 above.

39. Interpretation. Both Landlord and Tenant have been represented by counsel and this Lease has been freely and fairly negotiated. Consequently, all provisions of this Lease shall be interpreted according to their fair meaning and shall not be strictly construed against any party.

40. Management Fees. Tenant and/or Subtenants have entered into nine (9) management agreements with Manager to operate the Premises, pursuant to which Tenant and/or Subtenants shall pay the Management Fee to Manager. The Management Fee shall be subordinate to Minimum Rent and to all other payments required under this Lease except Percentage Rent. Tenant shall cause Manager and Subtenant to enter into a Subordination Agreement reasonably acceptable to Landlord and Senior Lender, if applicable. During the Term, neither Tenant nor any Subtenant may change the Manager or engage a new Manager to manage the Premises, or amend, modify, supplement or replace any management agreement without Landlord's prior written consent, which will not be unreasonably withheld; provided, however, Landlord may withhold consent to any proposed change to any provision requiring the subordination of payment of the Management Fee to the payment of Minimum Rent and to all other payments required under this Lease except Percentage Rent.

41. Related Party Goods and Services. Tenant agrees that if it or any of its Affiliates provide services or goods to the Tenant or the Premises that such services or goods will be provided at rates no higher than and upon terms at least as favorable to the Tenant and/or Premises as would be obtainable in an arms-length transaction. Tenant shall not enter into any

agreements for services with any of its Affiliates without the prior written consent of Landlord, other than those related party agreements as set forth on Schedule 41 attached hereto.

42. Ancillary Contracts. Tenant agrees not to enter into any contracts or agreements with providers of ancillary healthcare services, including without limitation, therapy, hospice, home health pharmacy or medical supply agreements, without providing Landlord and its Affiliates at least thirty (30) days prior written notice and an equal opportunity to submit a bid for providing such ancillary healthcare services.

43. Relationship of Parties. Nothing contained in this Lease shall be deemed to create a partnership or joint venture or any form of agency relationship between Landlord and Tenant. Landlord and Tenant's relationship in this Lease shall be deemed to be one of landlord and tenant only, and neither party shall have the right or authority to hold out any party to this Lease as a partner, joint-venturer, principal or agent of the other. ~~Tenant shall not acquire any direct or~~ indirect equity interest in Landlord or in any lender or financing arrangement from or in which Landlord, or any of its Affiliates, is a borrower.

44. Termination of Lease. Intentionally Deleted.

45. Securitization. In the event Landlord elects to securitize any loan secured by the Premises, Tenant agrees to cooperate with Landlord and provide information and execute documents that Landlord may reasonably request, provided that Tenant does not incur any additional liability as a result of such request and Tenant does not incur any expense.

46. Special Purpose Entity Covenants. At all times during the term of the Lease, Tenant shall adhere to the following covenants: (a) Tenant shall preserve and keep in full force and effect its existence as a single purpose entity formed solely for the purpose of entering into

this Lease with Landlord; (b) Tenant shall not change its organizational structure without prior written consent of Landlord and Senior Lender; (c) Tenant shall maintain its separateness as an entity, including maintaining separate books, records, and accounts and observing corporate and partnership formalities independent of any other entity; and (d) Tenant shall pay its obligations with its own funds and shall not commingle funds or assets with those of any other entity form. In addition, Tenant shall cause all Subtenants and operators of the Premises to abide by similar covenants and to include those covenants in the organizational documents of the Tenant, all Subtenants and operators of the Premises.

47. Lender Approval. Tenant acknowledges that this Lease is subject to Senior Lender's approval. Tenant agrees to execute any amendment to this Lease required by the Senior Lender provided that such modifications do not negatively impact or expand Tenant's obligations under this Lease.

48. Limitation of Landlord's Liabilities. If Landlord defaults in the performance of any of its obligations, Tenant agrees to look solely to Landlord's interest in the Premises for the satisfaction of any judgment obtained by Tenant as the result of any default, and Tenant shall not seek any personal money judgment against Landlord or any of its officers, directors, stockholders, members, managers or partners.

49. True Lease. This Lease is intended as, and shall constitute, an agreement of lease, and nothing herein shall be construed as conveying to the Tenant any right, title or interest in or to the Premises or to any remainder or reversionary estates in the Premises held by any Person, except, in each instance, as a tenant. Under no circumstances shall this Lease be regarded as an assignment of all of Landlord's interest in and to the Premises; instead Landlord and Tenant shall have the relationship between them of landlord and tenant, pursuant to the

provisions of this Lease. In no event shall Tenant or any affiliate of Tenant claim depreciation, amortization or interest deductions as owner of the Premises for United States federal, state or local income tax purposes (except as to alterations not financed by Landlord).

50. HUD Financing. At all times during the Term, Tenant and Manager shall (and Tenant shall cause Subtenant to) reasonably cooperate with Landlord to enable Landlord to obtain HUD insured financing for the Properties; provided, however, Landlord shall reimburse Tenant and Subtenant for all reasonable expenses incurred by Tenant and Subtenant in complying with this provision. In connection with any such HUD financing, Tenant and Manager shall (and Tenant cause Subtenant to) enter into such agreements, instruments, certificates and other documents reasonably required in connection with such financings, including, without limitation, a HUD Regulatory Agreement for each such Property; a HUD Addendum to this Lease requiring Tenant and Subtenant to comply with all legal and regulatory requirements related to such financings; and modifications to this Lease (including, if required by HUD, splitting this Lease into separate leases on the same terms and conditions as contained in this Lease, subject to prorating the financial obligations in each such separate lease) and will thereafter remain in substantial compliance with all statutes, rules, regulations and laws relating to such financings.

51. REIT Event. From and after a REIT Event Notification Date: (a) Tenant shall, and shall cause its Affiliates, including Subtenants, to take all commercially reasonable actions requested by Landlord that in Landlord's reasonable judgment will be recommended for compliance with the requirements for maintaining REIT status; and (b) Tenant shall not, and shall cause its Affiliates not to, acquire any equity interest in Landlord or any of Landlord's Affiliates if such acquisition would result in Tenant and/or any of Tenant's Affiliates owning,

directly or indirectly, a ten percent (10%) or greater interest in Landlord or any of Landlord's Affiliates within the meaning of Section 856(d)(2)(B) of the Code. Subject to the provisions set forth in Section 3.2(f) above, upon the occurrence of a REIT Event, any and all references to Percentage Rent in this Lease shall no longer apply.

52. Landlord Financial Information. To the extent reasonably necessary to complete and file Medicare and Medicaid cost reports, and for no other purpose whatsoever, Landlord agrees to provide to Tenant any pertinent information and supporting documentation related to its debt and equity affecting the Premises, including the applicable terms of any loan agreement and any loan payment information.

53. Entire Agreement; Modification; Waiver. This Lease and the Exhibits and Schedules to this Lease constitute the entire agreement between Landlord and Tenant pertaining to the subject matter contained in this Lease and supersede all prior agreements, representations and understandings of the parties. No supplement, modification or amendment of this Lease shall be binding unless expressed as such and executed in writing by Landlord and Tenant. Except as set forth herein, no waiver of any provision of this Lease shall constitute a continuing waiver. No waiver shall be binding unless expressed as such in a document executed by the party making the waiver.

[SIGNATURE PAGES FOLLOW]

[Signature page to Master Sublease & Security Agreement]

Executed as of the date indicated above.

TENANT

GRACE MASTER TENANT, LLC,
a Delaware limited liability company

By: 

Name: John P. O'Brien, Jr.

Title: Authorized Signatory

[Signature page to Master Sublease & Security Agreement (non-MI)]

LANDLORD

CROWN MASTER LANDLORD, LLC,
a Delaware limited liability company

By: 

Christina K. Firth
President

EXHIBIT A

Description and Location of Property

Raintree Manor	415 Pace Street, McMinnville, Warren County, Tennessee
Soddy Daisy Health Care	701 Sequoyah Road, Soddy Daisy, Hamilton County, Tennessee
Jacaranda Manor	4250 66 th Street, St. Petersburg, Pinellas County, Florida
Frederick Villa Nursing Center	711 Academy Road, Catonsville, Baltimore County, Maryland
Leewood Healthcare Center	7120 Braddock Road, Annandale, Fairfax County, Virginia
Grace Healthcare of Abingdon	600 Walden Road, Abingdon, Washington County, Virginia
Royal Palm Convalescent Center	2180 10 th Avenue, Vero Beach, Indian River County, Florida

EXHIBIT B

Legal Description of Property

Raintree Manor:

All that certain lot, piece of land, with the buildings and improvements thereon erected, situate, lying and being in the City of McMinnville, County of Warren, State of Tennessee, as more particularly described as follows:

BEGINNING on an iron pin in the north margin of Pace Street, (40' right-of-way), said pin being the southeast corner of the property now or formerly belonging to Minton (Deed Book 231, page 965 and Deed Book 156, Page 541); thence leaving said Pace Street and with Minton N 06 deg. 54' E 506.81' to an iron pin; thence N 81 deg. 32' W 169.40' to a stone at the northwest end of a 44' unopened street, being the northeast corner of Community Rolling Acres Church (Deed Book 186, Page 1055); thence with the north line of Community Rolling Acres Church N 82 deg. 47' W 50.48' to a fence corner, being the southeast corner of Julian (Deed Book 236, Page 460); thence with the east line of Julian N 27 deg. 23' E 494.43' to an iron pin, being a corner of Hutchins (Deed Book 279, Page 384); thence with Hutchins S 84 deg. 28' E 203.83' to a steel post; thence S 07 deg. 50' W 474.65' to a steel post in the north line of Powers (Deed Book 245, Page 450 and Deed Book 233, page 795); thence with Powers N 82 deg. 04' W 49.00' to an iron pin; thence S 06 deg. 57' W 511.55' to an iron pin in the north margin of Pace Street; thence with Pace Street N 79 deg. 57' W 100.06' to the beginning.

Together with and subject to the terms and conditions of that certain Declaration of Parking Easement and Reaffirmation of Access Easement recorded in Book ____, Page ____, Register's Office of Warren County, Tennessee.

Soddy Daisy Health Care:

All that certain lot, piece of land, with the buildings and improvements thereon erected, situate, lying and being in the City of Soddy Daisy, County of Hamilton, State of Tennessee, as more particularly described as follows:

Being a portion of the old W. W. Norman property located in the City of Soddy-Daisy, Hamilton County, Tennessee as shown by Tennessee Valley Authority drawings SNPRR-35 of Project 45101 and being further described as follows:

Beginning at a concrete Tennessee Valley Authority property marker Northeast of the Lovell Road Cul-de-sac at Station 138+50 as shown by plans #101E3r3, said monument being located S78°11'45"E, a distance of 1,255.60 feet from CHAM 5 of the Hamilton County GPS system with a published position of X=2214378.36 Y328513.21 and Z=872.45;

Thence with the north right-of-way of the Sequoyah Access Road N10°40'53"E, a distance of 75.06 feet to a 5/8" rebar with a cap;

Thence with the north right-of-way of the Sequoyah Access Road N76°43'23"W, a distance of 225.86 feet to a 5/8" rebar with a cap;

Thence with the north right-of-way of the Sequoyah Access Road S15°50'47"W, a distance of 74.75 feet to a concrete Tennessee Valley Authority property marker;

Thence with the north right-of-way of the Sequoyah Access Road around a curve to the right through a central angle of 04°37'49", an arc distance of 215.35 feet, a radius of 2664.79 feet and a chord bearing of N71°35'12"W with a distance of 215.29 feet to a 5/8" rebar with a cap;

Thence with the north right-of-way of Sequoyah Access Road around a curve to the right through a central angle of 02°45'18", an arc distance of 59.26 feet, a radius of 1232.40 feet and a chord bearing of N67°53'38"W with a distance of 59.25 feet to a 5/8" rebar with a cap;

Thence with the north right-of-way of Sequoyah Access Road S23°12'54"W, a distance of 25.00 feet to a 5/8" rebar with a cap;

Thence with the north right-of-way of Sequoyah Access Road around a curve to the right through a central angle of 41°08'06", an arc distance of 902.74 feet, a radius of 1257.40 feet and a chord bearing of N46°24'33"W with a distance of 883.47 feet to a 1/2" rebar with a cap;

Thence S71°48'08"E, a distance of 303.66 feet to a 1/2" rebar.

Thence S74°37'35"E, a distance of 346.39 feet to a 5/8" rebar with a cap;

Thence S73°46'28"E, a distance of 168.54 feet to a 1/2" rebar;

Thence S75°31'29"E, a distance of 369.00 feet to a 5/8" rebar with a cap;

Thence S75°06'45"E, a distance of 581.11 feet to a 1/2" rebar;

Thence with the northwest right-of-way of Lovell Road S47°39'10"W, a distance of 66.84 feet to a 5/8" rebar with a cap;

Thence with the northwest right-of-way of Lovell Road S57°44'44"W, a distance of 260.41 feet to a rebar with a cap;

Thence with the northwest right-of-way of Lovell Road S76°37'50"West, a distance of 306.65 feet to the POINT OF BEGINNING and containing 496.725 square feet or 11.40 acres, more or less.

TOGETHER WITH a slope easement from Peek for the grantees herein to construct and maintain a slope and being described as follows:

Beginning at a point on the North line of the above described parcel and being located from the northwest corner thereof S71°48'08"E a distance of 303.66 feet along the north line of the above described parcel;

Thence S74°37'35"E a distance of 156.83 feet along the north line of the above described parcel to the POINT OF BEGINNING at the southwest corner of the herein described slope easement;

Thence N15°25'37"E a distance of 15.00 feet to a point;

Thence S74°37'35"E a distance of 200.00 feet to a point;

Thence S15°25'37"W, a distance of 15.00 feet to a point on the north line of the above described parcel;

Thence with the north line of the above described parcel N73°46'28"W, a distance of 10.44 feet to a 5/8" rebar with a cap;

Thence with the north line of the above described parcel N74°37'35"W, a distance of 189.56 feet to the POINT OF BEGINNING.

Jacaranda Manor:

All that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the County of Pinellas, State of Florida, as more particularly described as follows:

The South 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4, LESS AND EXCEPT right-of-way for Joe's Creek and road right of way, in Section 6, Township 31 South, Range 16 East, lying and being in Pinellas County, Florida; ALSO LESS AND EXCEPT the South 150 feet for right-of-way to Pinellas County as described in Quit-Claim Deed recorded in Deed Book 1345, Page 587, Public Records of Pinellas County, Florida, ALSO LESS AND EXCEPT that part conveyed to State of Florida described in Deed recorded in Official Records Book 2003, Page 26, Public Records of Pinellas County, Florida.

Also described as follows:

The South 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4 of Section 6, Township 31 South, Range 16 East, Pinellas County, Florida, LESS AND EXCEPT right-of-way for Joe's Creek and the South 150 feet for right-of-way purposes to Pinellas County described in Quit-Claim Deed recorded in Deed Book 1345, Page 587, Public Records of Pinellas County, Florida, ALSO LESS AND EXCEPT road right-of-way and that part conveyed to State of Florida described in Deed recorded in Official Records Book 2003, Page 26, Public Records of Pinellas County, Florida.

And further described as follows:

A portion of the South 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4 of Section 6, Township 31 South, Range 16 East, lying and being in Pinellas County, Florida being more particularly described as follows:

Commence at the East 1/4 corner of said Section 6; thence South (assumed bearing) along the East line of the Southeast 1/4 of said Section 6, a distance of 992.09 feet; thence South 89°40'11" West, a distance of 50.00 feet to a point on the West right-of-way line of 66th Street North and the POINT OF BEGINNING; thence South along said West right-of-way line, a distance of 179.88 feet to a point on the North right-of-way line of Joe's Creek (a 150 foot drainage right-of-way as described in Deed Book 1345, Page 587 of the Public Records of Pinellas County, Florida); thence South 89°37'09" West, along said North right-of-way line, a distance of 617.94

feet to a point on the West boundary of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4 of said Section 6; thence North 00°01'02" West, along said West boundary, a distance of 180.43 feet; thence North 89°40'11" East, along the North line of the South 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4, a distance of 617.99 feet to the POINT OF BEGINNING.

Frederick Villa Nursing Center:

All that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the City of Baltimore, County of Baltimore, State of Maryland, as more particularly described as follows:

Beginning for the same at a point on the fifth and southeasternmost property line of a deed from Road, Inc. to Isaac Goldman and Jack Tucker, Co-partners, trading as Frederick Nursing Center, said point being at a distance of 507.45 feet from the beginning of the fifth or South 29 degrees 09' 55" West 899.45 feet line at the point of division between a 1.7 acre tract fronting on Old Frederick Road and the remainder of the entire parcel being described herein, thence continuing on the said last mentioned line:

- (1) South 29 degrees 09' 29" West 391.91 feet to an iron pipe previously set, thence:
- (2) North 60 degrees 50' 06" West 252.40 feet to an iron pipe, previously set, thence:
- (3) South 10 degrees 47' 42" West 257.50 feet to a point on the northeast side of a highway widening strip of Academy Road (formerly Nunnery Lane) as described and indicated in the Land Records of Baltimore County in Liber 5535, folio 447 on Baltimore County Acquisition Drawing No. 75-088-1, which point is 3.54 feet from the end of the deed line in Liber O.T.G. 5366, Folio 42; thence binding along the northeast side of Academy Road:
- (4) By a line curving to the left with a radius of 2,030.02 feet and an arc length of 68.66 feet and a chord bearing and distance of North 46 degrees 42' 29" West 68.66 feet;
- (5) North 08 degrees 24' 06" East 521.92 feet to a point; thence:
- (6) South 88 degrees 40' 27" East 81.05 feet to an iron pipe previously set, thence:
- (7) South 88 degrees 40' 27" East 98.02 feet to an iron pipe found at the end of the third or last South 60 degrees 41' 43" West 105.55 foot line of that parcel of land which by deed dated December 29, 1964 and recorded among said Land Records in Liber R.R.G. 4408, Folio 259 was granted and conveyed by Linwood P. Anderson and Helen N. Anderson, his wife, to Robert G. Morris and Myrtle Irma Morris, his wife, thence binding reversely along all of the said third line:
- (8) North 60 degrees 41' 42" East 56.16 feet to the southernmost corner of the 1.7 acre tract thence with the line of division of the last mentioned parcel and reversely along that line:

(9) South 60 degrees 50' 10" East 235.09 feet to the place of beginning.

Containing 153,555 Square Feet or 3.525 acres of land, more or less.

Leewood Healthcare Center:

All that certain lot, piece or parcel of land, with the building and improvements thereon erected, situate, lying and being in the County of Fairfax, Commonwealth of Virginia, as more particularly described as follows:

Lot Ten-A (10-A), of a Resubdivision at Lots Ten (10) and Eleven (11), FIRST ADDITION TO LEEWOOD, as shown on a plat of dedication recorded in Deed Book 2668 at page 326, among the land records of Fairfax County, Virginia, and being more particularly described by metes & bounds description as follows:

BEGINNING at a point in the northerly right-of-way line of Braddock Road (Route 620), width varies and in the easterly line of part of Lot 12, the Land of Childrens Achievement Center, Inc.; thence with the line of part of Lot 12, N 01° 13' 15" W 377.98 feet to a point, said point being in the southerly line of Wilburdale Subdivision, Section 3; thence with the southerly line of Section 3 and continuing with Section 2, Wilburdale Subdivision, N 77° 26' 30" E 458.96 feet to a point, said point being in the southerly line of Lot 61, Wilburdale Subdivision, Section 2 and the northwesterly corner of part of Lot 9, the Land of Leewood Investment and Associates LLC; thence with the westerly line of part of Lot 9, S 01° 13' 15" E 467.48 feet to a point, said point being in the aforementioned northerly right-of-way of Braddock Road; thence with the northerly right-of-way of Braddock Road, S 88° 41' 15" W 450.00 feet to the point of beginning and containing 4.3670 acres of land, more or less.

Grace Healthcare of Abingdon:

All that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the County of Washington, Commonwealth of Virginia, more particularly described as:

BEGINNING at an iron pipe found, common corner with Lot 10 Replat No. 2 of Greystone Heights Subdivision and on the northern R.O.W. line of Gray Drive N E thence leaving said R.O.W. line with said lot 10 N 17 degrees 23' 00" E 196.92 feet to an iron pin found in an old fence line common corner Lot 10 and property of Glenrochie Development Corporation, thence continuing with said Glenrochie Development Corporation the following calls and distances:

N 19 degrees 57' 00" E 112.00 feet to an iron pin set, thence N 84 degrees 36' 47" E 351.56 feet (passing a reference iron pin at 341.56') to a point in the creek, thence S 09 degrees 33' 00" E 121.40 feet to an iron pin set on Creek Bank, thence N 87 degrees 23' 48" E 26.75 feet to an iron pin found at fence post common corner with Washington County School Board Property, thence with said county school board line S 41 degrees 20' 36" E 43.32 feet to an iron pin set on the western R.O.W. line of Walden Road, State Rt. 699, thence with said western R.O.W. line the following calls and distances:

S 38 degrees 33' 00" W 182.43 feet to an iron pin set, thence S 17 degrees 34' 51" W 142 10 feet to a point passing through a Ref. IPS at 121.85, thence on a curve to the right having a radius of 25.49 feet, an arc length of 16.15' and a chord of S 88 degrees 18' 48" W 15.88 feet to a P.K. nail set in a parking lot said P.K. nail being on the Northern R.O.W. line of Gray Drive; thence with said northern R.O.W. line of Gray Drive, N 73 degrees 32' 25" W 365.00 feet to the point of beginning containing 3.42 acres, more or less, and being located in the Town of Abingdon Virginia and the Harrison Magisterial District of Washington County, Virginia.

Royal Palm Convalescent Center:

All that certain lot, piece of land, with the buildings and improvements thereon erected, situate, lying and being in the County of Indian River, State of Florida, as more particularly described as follows:

All of the West 355 feet of Lot 13, of Plat of H.T. Gifford Estate, according to the plat filed in the Office of the Clerk of Circuit Court of St. Lucie County, Florida, in Plat Book 1, page 13, which lies South of 22nd Place, as same is designated on Plat of Linwood Subdivision, as same appears on Plat of said subdivision recorded in Plat Book 2, page 79, Indian River County, Florida records, plus the North 1/2 of abandoned 20' alley abutting South boundary line of property described immediately above pursuant to Resolution No. 84-19, of the City of Vero Beach dated July 17, 1984, recorded in Official Records Book 690, page 455, Public Records of Indian River County, Florida.

Being also described by metes and bounds description according to a survey prepared by Milton R. Gill, Reg. No. 5455, American Surveying Inc., MKA Project No. 4601-10-1946, dated April 29, 2010 as last revised on September 24, 2010, as follows:

Begin at the Southwest corner of said Lot 13; thence North 00°38'37" West, along the West boundary of said Lot 13, a distance of 313.46 feet to a point on the South right-of-way line of 22nd Place, as same is designated on Plat of Linwood Subdivision, as same appears on Plat of said subdivision recorded in Plat Book 2, page 79, Indian River County, Florida; thence North 89°08'15" East, along said south right-of-way line, a distance of 14.98 feet to the point of curve of a non tangent curve to the right, of which the radius point lies South 19°05'14" East, a radial distance of 686.78 feet; thence easterly along the arc, through a central angle of 23°38'28", a distance of 283.38 feet, having a chord of 281.37 feet which bears North 82°44'01" East; thence South 85°22'27" East, a distance of 20.03 feet to the point of curve of a non tangent curve to the left, of which the radius point lies North 04°30'18" East, a radial distance of 985.37 feet; thence easterly along the arc, through a central angle of 02°22'32", a distance of 40.85 feet, having a chord of 40.85 feet which bears South 86°40'58" East to a point on the East line of the West 355 feet of said Lot 13; thence South 00°37'38" East, along said East line of the West 355 feet of said Lot 13, a distance of 342.57 feet to a point on the South line of said Lot 13; thence South 89°33'35" West along the South line of said Lot 13, a distance of 45.50 feet; thence South 00°26'25" East, a distance of 10.00 feet to a point on the South line of the North 1/2 aforesaid abandoned 20' alley; thence South 89°33'35" West along the South line of the North 1/2 of said abandoned 20' alley, a distance of 169.90 feet; thence North 00°26'25" West, a distance of 10.00 feet to a point on the South line of said Lot 13; thence South 89°33'35" West, along said South line a distance of 139.67 feet to the POINT OF BEGINNING.

EXHIBIT C

Permitted Exceptions

Raintree Manor:

1. Real Estate Taxes for 2011 and subsequent years, not yet due and payable.
 2. Easements of record in Book 236, Page 497, Book 255, Page 397 and Book 279, Page 384, in the Warren County Register's Office.
 3. Restrictions of record in Book 224, Page 171 and Book 224, Page 913, in the aforesaid Register's Office.
 4. Ingress/Egress easement of record in Book 262, Page 344, in the aforesaid Register's Office.
 5. Easements and incidental rights in that portion of the Land described in Exhibit A underlying public roads.
 6. Easements as contained in Deed Book 236, Page 535, in the aforesaid Register's Office.
 7. Easements as contained in Deed Book 240, Page 807, in the aforesaid Register's Office.
 8. Easements as contained in Deed Book 243, Page 273, in the aforesaid Register's Office.
-
9. ALTA/ACSM Land Title Survey dated May 20, 2005, prepared by Tom B. Thaxton, RLS 105, last revised December 21, 2010, discloses the following:
 - A. Parking lot encroaches over Easterly property line.
 - B. Rights of public and private to overhead wires, and any utility poles, on or crossing over the property.
 - C. Rights public and private to gas, water and telephone lines running through the property.
 - D. Building encroaches onto setback line along Northerly property line.
 10. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
 11. All rights of residents, as residents only under unrecorded leases.
 12. Declaration of Parking Easement and Re-Affirmation of Access Easement dated to be effective January ____, 2011, recorded in Book ____, Page ____, aforesaid records.

Soddy Daisy Health Care:

1. Real Estate taxes for 2011 and subsequent years, not yet due and payable.

2. Easement of record in Book 4743, Page 693, in the aforesaid Register's Office.
3. Land Title Survey prepared by Nicholas Cole Phipps, Tenn. Reg. No. 2470, Betts Engineering Associates, Inc., Drawing No. 11844-1-207, dated December 7, 2010, last revised January 3, 2011, describes the following:
 - A. Rights public and private to overhead wires and utility poles on or crossing over the property.
 - B. Rights public and private to gas lines running through the property.
 - C. Sewer lines extend onto right of way of Sequoyah Access Road.
 - D. Heavy duty Plastic Pipe extends out of Northerly property line.
 - E. Shed abuts 5 foot setback line in Northerly portion of premises.
 - F. Sign and landscaping located outside Southerly property line.
4. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
5. All rights of residents, as residents only under unrecorded leases.

Jacaranda Manor:

1. Real Estate Taxes for 2011 and subsequent years, not yet due and payable.
2. Rights of upper and lower owners in and to the use of the waters of Joe's Creek and to uninterrupted flow thereof.
3. Easement in favor of Pinellas County, a political subdivision of the State of Florida, as set forth in Drainage Easement recorded in Official Records Book 3229, Page 85.
4. Easement in favor of Florida Power Corporation, a Florida corporation, and its successors and assigns, as set forth in Easement recorded in Official Records Book 3160, Page 453.
5. Easement in favor of South Cross Bayou Sanitary District, a special taxing district of the County of Pinellas, State of Florida, as set forth in South Cross Bayou Sanitary District Sewer Easement recorded in Official Records Book 1396, Page 48.
6. Easement in favor of Pinellas County, a political subdivision, as set forth in Quit-Claim Deed recorded in Deed Book 1345, Page 587.
7. Lease by and between Jacaranda Property Investment, LLC, a Florida limited liability company and St. Petersburg Nursing Home, LLC, a Florida limited liability company, dated February 3, 2005 as evidenced and subordinated by Subordination and Attornment Agreement recorded in Official Records Book 14123, Page 1036.
8. Drainage Easement in favor of Sixty-Sixth St., LLC, a Florida limited liability company recorded May 11, 2006 in Official Records Book 15110, Page 2358.

9. Any rights, easements, interests or claims which may exist by reason of, or reflected by, the following facts shown on the survey prepared by Martin R. Gill under the supervision of International Land Services, Inc., dated December 27, 2004, last revised January 21, 2005, being Job No. 04-12-019:001:
 - A. Encroachment of two story masonry building into 25 foot drainage easement recorded in Deed Book 1345, Page 587.
 - B. Encroachment of fence along the North boundary thereof.
 - C. Encroachment of chain link fence, concrete, concrete sidewalk and fence into 10 foot Electric Easement recorded in Official Records Book 3160, Page 453.
10. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
11. All rights of residents, as residents only under unrecorded leases.

Frederick Villa Nursing Center:

1. Real Estate Taxes for 2011 and subsequent years, not yet due and payable.
2. Deed and Agreement recorded in the Baltimore County Land Records in Liber 5202 at Folio 399.
3. Deed and Agreement recorded in the Baltimore County Land Records in Liber 5406 at Folio 592.
4. Easement Agreement recorded in the Baltimore County Land Records in Liber 5652 at Folio 304.
5. Declaration of Easements as recorded in Baltimore County Land Records in Liber 13948 at Folio 386.
6. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
7. All rights of residents, as residents only under unrecorded leases.
8. Survey prepared by Joseph C. Thompson of Thompson & Associates, LLC, Project/Job Number 3601, dated 12/03/10, last revised 12/22/10, discloses the following:
 - A. Curbing and Driveway extend onto right of way of Academy Road.
 - B. Adjoiner's wood deck/fence encroaches over Easterly property line.
 - C. Gravel area encroaches over Easterly property line.
 - D. Parking area extends over Northerly property line.
 - E. Discrepancy on measurement of Northerly property line.
 - F. Apparent gap along the Easterly property line

Leewood Healthcare Center:

1. Real Estate Taxes for 2011 and subsequent years, not yet due and payable.
2. Terms, provisions, restrictions, conditions, easements, liens, assessments, developer rights, options, rights of first refusal and reservations contained in instrument recorded in Deed Book A-13, Page 35.
3. Easement granted to Virginia Electric and Power Company recorded in Deed Book 720, Page 370, Deed Book 1484, Page 16, Deed Book 2057, Page 640, Deed Book 2737, Page 730, Deed Book 2748, Page 120 and Deed Book 4192, Page 237.
4. Easements granted to Fairfax County Water Authority recorded in Deed Book 4134, Page 732 and Deed Book 5133, Page 668.
5. Driveway Easement recorded in Deed Book 4300, Page 228.
6. Easements recorded in Deed Book 4063, Page 351, Deed Book 4092, Page 538, Deed Book 5243, Page 255, Deed Book 2822, Page 269 & Deed Book 4580, Page 770. (No Plat or description with instrument).
7. Utility Easement recorded in Deed Book 4185 Page 111.
8. Deed of Dedication recorded in Deed Book 2668, Page 326.
- ~~9. Subject to all conditions, matters and setback lines as set forth on Plat recorded in Deed Book 2668, Page 326.~~
10. Easement granted to American Telephone and Telegraph Company of Virginia in Deed Book H-8, Page 179 and Deed Book H-8, Page 547.
11. Easement granted to Virginia Public Service Company recorded in Deed Book F-12, Page 543 and Deed Book P-12, Page 310.
12. Survey prepared by Paul Swartz, License No. 2701, of Bowman Consulting, Ltd. Project/Job Number 6422-01-001, dated 03/16/10, discloses the following:
 - A. Curbing and driveway extend onto right of way of Braddock Road.
 - B. Curb, gutter and pavement encroach over Westerly property line.
 - C. Concrete ditch extends out of Northerly property line.
13. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
14. All rights of residents, as residents only under unrecorded leases.

Grace Healthcare of Abingdon:

1. Taxes for 2011 and subsequent years, not yet due and payable.
2. Easement granted from J. T. Woodward and Martha Woodward, his wife to Appalachian Electric Power Co. by instrument dated February 13, 1951 recorded in Deed Book 254, Page 11.
3. Easement by instrument dated July 3, 1959 recorded in Deed Book 327, Page 270.
4. Easement granted from Pauline Mitchell and E. C. Mitchell, her husband and Lyle Woodward and Martha L. Woodward, his wife to Washington County Sanitary District No. 1 by instrument dated July 29, 1965 recorded in Deed Book 403, Page 642.
5. Easement granted from Dale McCray, single to Appalachian Power Company by instrument dated June 7, 1996 recorded in/as Deed Book 415, Page 459.
6. Easement granted from Glenrochie Development Corporation, Inc. to Appalachian Power Company by instrument dated November 6, 1975 recorded in Deed Book 543, Page 7.
7. Easement granted from Glenrochie Development Corporation, Inc. to Town of Abingdon by instrument dated March 6, 1997 recorded in Deed Book 968, Page 37.
8. Easement granted from Glenrochie Development Corporation, Inc. and Abingdon Investments & Associates, LLC to Town of Abingdon by instrument dated March 30, 2005 recorded in/as Instrument No. 050003764.

9. Subject to rights, public and private, together with flooding and drainage rights, if any, in and to all streams, rivers or water courses crossing, bounding or affecting the premises.
10. Encroachment of the parking lot on the adjacent northern property and a small encroachment of the parking lot into the boundaries of Walden Road (State Route 699) and Gray Drive.
11. Survey prepared by Cross Land Surveying & Planning, Project/Job Number MTAVA-062532G, dated 11/12/10, last revised December 10, 2010, discloses the following:
 - A. Building encroaches onto 20 foot setback line located along the Easterly property line.
 - B. Building encroaches onto 10 foot setback line located along the Northerly property line.
 - C. Sign located outside Easterly property line.
 - D. Typical curbing extend beyond Easterly property line.
 - E. Asphalt and parking spaces encroach outside Southerly property line.
 - F. Asphalt and parking spaces encroach outside Northerly property line.
 - G. Rights of others to utility crossing the property.
12. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.

13. All rights of residents, as residents only under unrecorded leases.

Royal Palm Convalescent Center:

1. Real Estate Taxes for 2011 and subsequent years, not yet due and payable.
 2. Easement to the City of Vero Beach filed in Deed Book 51, Page 90, Public Records of Indian River County, Florida.
 3. Subordination of Easement and Covenant Not to Sue filed in Official Records Book 238, Page 83, Public Records of Indian River County, Florida.
 4. Easement as contained in the Deeds filed in Official Records Book 82, Page 364, Official Records Book 194, Page 40, Official Records Book 194, Page 44, and Official Records Book 209, Page 443, Public Records of Indian River County, Florida.
 5. Survey prepared by Milton R. Gill, Project/Job Number 4601-10-1946, dated 04/29/10, last revised 09/24/2010, discloses the following:
 - A. Mislocation of fences;
 - B. Building encroaches over 25 foot setback line;
 - C. Curbing and driveway extend onto 10th Avenue;
 - D. Parking Island extends out of southerly property line;
 - E. Abandoned Alley in southerly portion of premises;
-
6. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
 7. All rights of residents, as residents only under unrecorded leases.

EXHIBIT D

Form of Exit Operations Transfer Agreement

EXHIBIT D

EXIT OPERATIONS TRANSFER AGREEMENT

THIS EXIT OPERATIONS TRANSFER AGREEMENT ("Agreement") is made and entered into as of the _____ day of _____, 20____, by and between _____, a _____ limited liability company ("**Transferor**") and _____, a _____ ("**New Operator**").

IN THE EVENT THAT TENANT IS NOT THE LICENSED OPERATOR, TENANT SHALL CAUSE THE LICENSED OPERATOR TO ENTER INTO THIS AGREEMENT AS THE TRANSFEROR.

RECITALS

A. Transferor is the licensed operator of a ____-bed residential care facility ("**RCF**") commonly known as _____ and located at _____, _____ ("**Facility**"), which Facility, together with certain other facilities, is leased pursuant to the terms of a Master Sublease and Security Agreement dated as of January ____, 2011 (the "**Prior Lease**"), between CROWN MASTER LANDLORD, LLC, a Delaware limited liability company ("**Owner**"), as lessor, and Transferor, as lessee.

B. New Operator and Owner [If Owner takes over the operations of the RCF, Owner would take New Operator's position in this agreement] entered into a new Lease with respect to the Facility ("**New Lease**") to be effective on and as of _____ ("**Takeover Date**"), assuming the satisfaction of the condition precedent set forth in Section 23 below (the "**Condition Precedent**"). Assuming satisfaction of such Condition Precedent, effective on and as of _____, 11:59 p.m. E.S.T. ("**Effective Date**"), Transferor and Owner will terminate all of Transferor's right, title and interest under the Prior Lease.

C. In order to facilitate an orderly transfer of Facility operations and financial responsibility from Transferor to New Operator, Transferor and New Operator desire to document certain terms and conditions relevant to the transfer of operational and financial responsibility for the Facility.

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein, and intending to be legally bound hereby, New Operator and Transferor hereby agree as follows.

AGREEMENT

1. **Surrender.** Immediately following the Effective Date, Transferor shall surrender to New Operator possession of the Facility (including all resident charts and records along with appropriate resident consents, if required under applicable law) in AS IS, WHERE IS condition.

Exhibit F

To Amended and Restated Master Lease and Security Agreement

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2. Surrender of Owner's Personal Property; Conveyance of Inventory and Prepaid Expenses; and Excluded Assets.

2.1 Transferor acknowledges that Owner owns all right, title and interest in and to all of the furniture, machinery, equipment, appliances, fixtures and other personal property used in connection with the Facility ("**Owner's Personal Property**") excluding only (i) the Inventory (defined below); (ii) the personal property of the residents, (iii) the personal property owned by vendors and leased to Owner; and (iv) all of the Tenant's Personal Property (as that term is defined in the Prior Lease). On and as of the Effective Date, Transferor shall surrender directly to New Operator together with possession of the Facility all of Owner's Personal Property and all consumable inventories of every kind and nature whatsoever (specifically including, but not limited to, all pharmacy supplies, medical supplies, office supplies, other supplies and foodstuffs) owned by Transferor as of the Effective Date and located at the Facility (the "**Inventory**"). Transferor shall have no obligation to deliver the Inventory to any location other than the Facility, it being understood and agreed that the presence of the Inventory at the Facility on the Effective Date shall constitute delivery thereof. New Operator shall pay any sales or use tax which may be payable with respect to the transfer of the Inventory to New Operator.

2.2 For and in partial consideration of the Transfer Consideration (defined below), immediately following the Effective Date, Transferor shall sell, transfer and convey to New Operator all personal property located on the Facility not constituting Owner's Personal Property that is required to be located at such Facility for the operation of the Facility as an RCF by any governmental authority having jurisdiction over the Facility ("**Government Required Property**"). The Government Required Property is described in Schedule 2.2.

2.3 For and in partial consideration of the Transfer Consideration, immediately following the Effective Date, Transferor shall sell, transfer and convey to New Operator all of Transferor's right, title and interest in and to any prepaid expenses with respect to the Facility as of the Effective Date (the "**Prepaid Expenses**").

2.4 Transferor shall execute a Bill of Sale in form and substance reasonably acceptable to Transferor and New Operator that confirms the conveyance of any Government Required Property.

2.5 Notwithstanding anything to the contrary contained herein, Transferor shall not sell, transfer or convey to New Operator any of Transferor's right, title and interest in and to the (i) technical systems, methods, policies, processes, procedures and controls, and the information and materials compiled or prepared in connection therewith or (ii) the trade or service names, associated marks and other intellectual property, including without limitation the name "_____", used by Transferor in connection with the marketing and/or operation of the Facility (collectively, the "**Intangible Property**").

2.6 Notwithstanding anything to the contrary contained herein, Transferor shall not sell, transfer or convey to New Operator any of Transferor's right, title and interest in

and to the assets described in Schedule 2.6 (hereinafter, the Intangible Property and the assets described in Schedule 2.6 may be collectively referred to as the "**Excluded Assets**").

3. Transfer Consideration.

3.1 The total consideration ("**Transfer Consideration**") to be paid to Transferor by New Operator for the Government Required Property and the Prepaid Expenses (collectively, the "**Transferred Assets**") shall be an amount equal to: (A) the net book value of the Transferred Assets in accordance with GAAP as of the Effective Date and as set forth on the Closing Schedule attached hereto as Exhibit A (the "**Closing Schedule**") less (B) the amount of accrued and unpaid liabilities, if any, of Transferor to be assumed by New Operator as of the Effective Date (the "**Liabilities**"). The unpaid trade accounts payable as of the Effective Date will be paid by Transferor in accordance with Section 7. The Closing Schedule sets forth in reasonable detail Transferor's best estimate of the amount of the Liabilities and the net book value of the Transferred Assets.

3.2 From and after the Effective Date, Transferor shall allow New Operator to have reasonable access to (upon reasonable prior notice and during normal business hours) and/or copies of (at New Operator's own cost and expense) the books and records and supporting material of the Facility relating to the Transferred Assets and the Liabilities, to the extent reasonably necessary to enable New Operator to verify the Transferred Assets and the Liabilities. The Closing Schedule shall be deemed to be accepted by New Operator and shall be final and binding for all purposes of this Agreement unless New Operator, within thirty (30) days following the Effective Date, gives notice to Transferor stating the items as to which New Operator takes exception ("**Objections**"). ~~If an Objection is disputed by Transferor, then the parties shall negotiate in good faith to resolve such dispute. If after a period of thirty (30) days following the date on which New Operator delivered the Objections, any Objection still remains disputed, then Transferor or New Operator shall together choose an independent, impartial firm of public accountants of nationally recognized standing to resolve such remaining Objections. The accounting firm shall act as an arbitrator and shall have the power and authority to determine those issues still in dispute. The accounting firm shall use the following standards in the evaluation of any Objection regarding a Transferred Asset: (i) existence, and presence at or proper attribution to the Facility, of the Transferred Asset; (ii) proper recording on the books of the appropriate entity of the Transferred Asset; (iii) appropriate method and useful life used in depreciating the Transferred Asset; and (iv) appropriate classification of the Transferred Asset in one of the classifications included in the definition of "Transferred Asset." The determination of the accounting firm shall be final and binding. The fees and expenses of the accounting firm shall be paid equally by Transferor and New Operator.~~

Within ten (10) days following resolution of all Objections, (i) if the Transfer Consideration is an amount greater than zero, then New Operator shall pay the amount of the excess to Transferor, by wire transfer or certified check or (ii) if the Transfer Consideration is an amount less than zero, then Transferor shall pay amount of the deficiency to New Operator, by wire transfer or certified check.

4. Resident Property.

4.1 (a) Concurrent with the execution and delivery of this Agreement and subject to adjustment within thirty (30) days following the date hereof, Transferor is providing New Operator with an accounting of all funds belonging to patients at the Facility which are held by Transferor in a custodial capacity pertaining to patients at the Facility (collectively, the "**Funds**"). Such accounting sets forth the names of the patients for whom such Funds are held and the amounts held on behalf of each patient, correct and complete as of the date hereof.

(b) Concurrent with the execution and delivery of this Agreement and subject to adjustment within thirty (30) days following the date hereof, Transferor is transferring the Funds to a bank account designated by New Operator and New Operator hereby acknowledges receipt of and expressly assumes all of Transferor's financial and custodial obligations arising subsequent to the Effective Date with respect thereto, it being the intent and purpose of this provision that, as of the date hereof, Transferor is relieved of all fiduciary and custodial obligations with respect to such funds and that New Operator hereby assumes all such post-Effective Date obligations and is directly accountable to the patients with respect thereto.

(c) Notwithstanding the foregoing, Transferor agrees to indemnify and hold New Operator harmless from all liabilities, claims, and demands, in the event the amount of such Funds, if any, transferred to New Operator's bank account does not represent the full amount due to the Residents (as defined in the next sentence) as of the date hereof. "**Residents**" shall mean all residents and patients of the Facility to whom Transferor owes fiduciary or custodial obligations prior to closing. If the amount of such Funds represents the full amount due to the Residents, New Operator shall hold Transferor harmless from all liabilities, claims and demands related to or made in connection with such Funds.

(d) New Operator hereby assumes custody of all trust accounts for Patients transferred by Transferor to New Operator and agrees to treat such accounts in the fiduciary capacity required by law. New Operator agrees to indemnify and hold Transferor harmless from all liabilities, claims, and demands that may be asserted against Transferor in connection with New Operator's treatment of such accounts from and after the date hereof.

4.2 On the Effective Date, Transferor shall prepare and deliver to New Operator a true, correct and complete accounting of any and all security deposits held by Transferor for patients or residents of the Facility as of the Effective Date (collectively, the "**Security Deposits**"). Transferor hereby agrees to transfer to New Operator the Security Deposits, and New Operator hereby agrees that it will accept such Security Deposits and be accountable to the patients/residents for such Security Deposits actually received by Transferor in accordance with the terms of the resident agreements with such residents and applicable statutory and regulatory requirements. New Operator shall have no responsibility, however, to any patient or resident for any Security Deposits not actually delivered by Transferor to New Operator including, without limitation, if it is demonstrated that such Security Deposits are less than the full amount of the Security Deposits for any resident as of the Effective Date, for any inaccuracies in the accounting provided by Transferor, or for claims which arise from the actions or omissions of Transferor with respect to the Security Deposits.

5. Employees.

5.1 On or before the Effective Date, Transferor shall have delivered to New Operator a schedule which reflects the following for the Facility: (i) the names of all of Transferor's employees and (ii) such employees' positions and rates of pay.

5.2 On the Effective Date, New Operator shall have the obligation to offer to employ substantially all of Transferor's employees that work at the Facility. Transferor shall assist New Operator in its efforts to employ any of Transferor's employees. On the Effective Date, Transferor shall terminate the employment of all employees at the Facility. New Operator agrees to cooperate with Transferor to provide information concerning which employees, if any, are being offered and are accepting employment by New Operator (collectively, the "Retained Employees").

5.3 Transferor shall remain liable for all Employee Liabilities (as defined below) relating to all employees on or prior to the Effective Date, including without limitation (i) payroll through the Effective Date, which will be paid by Transferor on or before the Effective Date and (ii) any Employee Liabilities relating to the termination of any employees on the Effective Date. To the extent that any employee is allowed to convert all earned and accrued vacation, holiday or sick pay to cash upon termination of employment, Transferor shall pay to New Operator all earned and accrued vacation, holiday or sick pay as of the Effective Date of all Retained Employees on or before the Effective Date. New Operator shall be responsible for all Employee Liabilities relating to the Retained Employees that arise or accrue after the Effective Date. For the purposes of this Agreement, "Employee Liabilities" shall mean all wages, salaries, commissions, earned and accrued vacation, holiday or sick pay, severance pay (if any), any contributions required or costs associated with any employee welfare benefit plan as defined by Section 3(1) of ERISA, any contributions required or costs associated with any employee pension benefit plan as defined by Section 3(2) of ERISA, any contributions required or costs associated with any non-qualified employee benefit plan, federal, state and/or local payroll taxes, unemployment insurance costs, any contributions required or costs associated with workers' compensation liabilities, and any claims made by any employee arising out of or connected with his or her employment or the termination thereof.

5.4 Transferor shall offer and provide, as appropriate, group health plan continuation coverage pursuant to the requirements of Section 601, et seq. of ERISA and Section 4980B of the Internal Revenue Code ("COBRA") to all of the employees of the Facility to whom it is required to offer the same under applicable law up through and including the Effective Date. New Operator agrees to cooperate with Transferor in providing information concerning the Retained Employees, if any, after the Effective Date, and the nature of the benefits offered to each such employee. As of the Effective Date, all Retained Employees shall be eligible for participation in a group health plan (as defined for purposes of Internal Revenue Code Section 4980B) established and maintained by New Operator for the general benefit of its employees and their dependents in accordance with the terms and conditions of New Operator's policy.

6. Accounts Receivable.

6.1 Transferor shall retain its right, title and interest in and to all unpaid trade accounts receivable with respect to the Facility that relate to the period up through and including the Effective Date. Within twenty (20) days after the Effective Date, Transferor shall provide New Operator with a schedule setting forth by Resident its outstanding trade accounts receivable as of the Effective Date.

6.2 Payments received by New Operator or Transferor after the Effective Date from third party payors and private pay residents shall be handled as follows:

6.2.1 If such payments either specifically indicate on the accompanying remittance advice, or if the parties agree, that they relate to the period on or prior to the Effective Date, they shall be forwarded to Transferor, along with the applicable remittance advice, in accordance with the provisions of Section 6.2.4 below.

6.2.2 If such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to the period after the Effective Date, they shall be retained by New Operator.

6.2.3 If such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods for which both parties are entitled to reimbursement under the terms hereof, the portion thereof which relates to the period after the Effective Date shall be retained by New Operator and the balance shall be remitted to Transferor in accordance with the provisions of Section 6.2.4 below.

6.2.4 If such payments do not indicate on the accompanying remittance advice the period to which such payments relate (and the parties cannot otherwise determine whether such payments apply to the period before or after the Effective Date), any such payments received during the first sixty (60) days after the Effective Date shall be deemed to relate to the period before the Effective Date and any such payments received after such sixty (60) day period shall be deemed to relate to the period after the Effective Date.

6.2.5 All amounts owing to Transferor under this Section 6.2 shall be settled within ten (10) days after receipt of such payment.

6.3 In the event the parties mutually determine that any third party payors or private pay residents are entitled to a refund of payments, the portion thereof that relates to the period after the Effective Date shall be paid by New Operator and the portion thereof that relates to the period on or prior to the Effective Date shall be paid by Transferor to such third party payor or private pay resident.

6.4 In the event the parties mutually determine that any payment hereunder was misapplied by the parties, the party which erroneously received said payment shall remit the same to the other within fifteen (15) business days after said determination is made.

6.5 For the six (6) month period following the Effective Date or until Transferor receives payment of all accounts receivable attributed to the operation of the Facility

prior to the Effective Date, whichever is sooner, New Operator shall provide Transferor with an accounting by the fifteenth (15th) day of each month setting forth all amounts received by New Operator during the preceding month with respect to the accounts receivable of Transferor which are set forth in the schedule provided by Transferor pursuant to Section 6.1. New Operator shall deliver such accounting to the address for notices for Transferor set forth in Section 14 below. Transferor shall have the right to inspect all cash receipts of New Operator during weekday business hours in order to confirm New Operator's compliance with the obligations imposed on it under this Section 6.

7. Prorations; Liabilities.

7.1 As between New Operator and Transferor, revenues and expenses, utility charges for the billing period in which the Effective Date occurs, real and personal property taxes, insurance premiums, liabilities under the Assumed Contracts (as defined in Section 9 below), vendor payables for the billing period in which the Effective Date occurs, prepaid expenses, entrance fees and other related items of revenue or expense attributable to the Facility shall be prorated between Transferor and New Operator as of the Effective Date. In general, such prorations shall be made so that as between New Operator and Transferor, Transferor shall be reimbursed for prepaid expense items to the extent that the same are attributable to the periods after the Effective Date and Transferor shall be charged for unpaid expenses to the extent that the same are attributable to periods on or prior to the Effective Date. The intent of this provision shall be implemented by New Operator remitting to Transferor any invoices that describe goods or services provided to or expenses incurred by the Facility on or prior to the Effective Date and by New Operator assuming responsibility for the payment of any invoices that describe goods or services provided to or expenses incurred by the Facility after the Effective Date.

7.2 All such prorations shall be made on the basis of actual days elapsed in the relevant accounting or revenue period and shall be based on the most recent information available to Transferor. Utility charges that are not metered and read on the Effective Date shall be estimated based on prior charges, and shall be re-prorated upon receipt of statements therefor.

7.3 All amounts owing from one party hereto to the other party hereto that require adjustment after the Effective Date shall be settled within thirty (30) days after the Effective Date or, in the event the information necessary for such adjustment is not available within said thirty (30) day period, then as soon thereafter as practicable.

8. Access to Records. Subsequent to the date hereof, New Operator shall allow Transferor and its affiliates, agents, and representatives, at Transferor's sole cost and expense, to have reasonable access to (upon reasonable prior notice), and to make copies of, the books and records and supporting material of the Facility relating to the period on or prior to the Effective Date that were transferred to New Operator by Transferor ("**Transferred Records**"), to the extent reasonably necessary to enable Transferor to investigate and defend malpractice, employee or other claims, to file or defend cost reports and tax returns, to verify accounts receivable collections due Transferor, and to perform similar matters. New Operator will maintain the Transferred Records, to the extent required by law, but in no event less than seven (7) years with respect to patient records, and no less than six (6) years with respect to other records. Without limiting the generality of the foregoing sentence, New Operator will use

commercially reasonable efforts to obtain from any purchaser or lessee of the Facility a contractual obligation to comply with the obligations set forth in this Section 8, which contract shall name Transferor as a third party beneficiary. Subsequent to the date hereof, Transferor shall allow New Operator and its affiliates, agents, and representatives, at the applicable parties' sole cost and expense, to have reasonable access to (upon reasonable prior notice), and to make copies of, any books and records and supporting material of the Facility retained by Transferor ("**Transferor's Retained Records**"), for any reason. Transferor will maintain Transferor's Retained Records to the extent required by law, but in no event less than seven (7) years with respect to patient records, and no less than six (6) years with respect to other records.

9. **Contracts.** Immediately following the Effective Date, Transferor does hereby agree to assign, and New Operator does hereby agree to assume and be bound by all of the terms and conditions of, Transferor's interest and obligations under the resident agreements, operating contracts and equipment financing agreements identified in Schedule 9 hereto (Schedule 9 to be mutually agreed upon by Transferor and New Operator) (collectively, the "**Assumed Contracts**"). Transferor will cooperate with New Operator in obtaining any required consent, waiver or approval in connection with the assignment to and assumption by New Operator of Transferor's interests under the Assumed Contracts. Nothing herein shall be construed as imposing any liability on New Operator with respect to any obligations under Assumed Contracts which relate to the period on or prior to the Effective Date even if the same are not payable until after the Effective Date, it being specifically understood and agreed that New Operator's liability shall be limited to its acts and omissions thereunder after the Effective Date.

10. **Representations and Warranties.** As applicable, each of New Operator and Transferor represents and warrants as follows:

10.1 New Operator has all necessary power and authority to enter into this Agreement and to execute all documents and instruments referred to herein or contemplated hereby and to consummate the transactions provided for herein and all necessary action has been taken to authorize the individuals executing this Agreement to do so. This Agreement has been duly and validly executed and delivered by New Operator and is enforceable against New Operator in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy laws and general principals of equity.

10.2 Transferor hereby represents and warrants that Transferor has all necessary power and authority to enter into this Agreement and to execute all documents and instruments referred to herein or contemplated hereby and to consummate the transactions provided for herein and all necessary action has been taken to authorize the individuals executing this Agreement to do so. This Agreement has been duly and validly executed and delivered by Transferor and is enforceable against Transferor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy laws and general principals of equity. Transferor is not in default under any of the Assumed Contracts.

11. **Indemnification.**

11.1 Transferor hereby indemnifies and agrees to defend and hold harmless New Operator and its directors, officers, employees, agents, successors and assigns from and

against any and all demands, claims, causes of action, fines, penalties, damages (including consequential damages), losses, liabilities (including strict liability), judgments, and expenses (including, without limitation, reasonable attorneys' and other professionals' fees and court costs) incurred in connection with or arising from: (i) a breach by Transferor of its representations, warranties and obligations under this Agreement, (ii) the acts or omissions of Transferor under the Assumed Contracts on or prior to the Effective Date, (iii) the occupancy or operation of the Facility on or prior to the Effective Date, (iv) any acts, omissions or negligence of Transferor or any person claiming under Transferor, or the contractors, agents, employees, invitees or visitors of Transferor with respect to the Facility on or prior to the Effective Date or (v) any failure by Transferor to pay any liabilities in connection with the Facility attributable to periods on or before the Effective Date.

11.2 New Operator hereby indemnifies and agrees to defend and hold harmless Transferor and its directors, officers, employees, agents, successors and assigns from and against any and all demands, claims, causes of action, fines, penalties, damages (including consequential damages), losses, liabilities (including strict liability), judgments, and expenses (including, without limitation, reasonable attorneys' and other professionals' fees and court costs) incurred in connection with or arising from: (i) a breach by New Operator of its representations, warranties and obligations under this Agreement, (ii) the acts or omissions of New Operator under the Assumed Contracts after the Effective Date, (iii) the occupancy or operation of the Facility after the Effective Date, (iv) any acts, omissions or negligence of New Operator or any person claiming under New Operator, or the contractors, agents, employees, invitees or visitors of New Operator with respect to the Facility after the Effective Date or (v) any failure by New Operator to pay any liabilities in connection with the Facility attributable to periods after the Effective Date.

11.3 Neither Transferor nor New Operator shall be responsible for lost profits or consequential damages; provided, however, Medicaid and Medicare recipient payments relating to periods prior to the date hereof and realized through adjustments in Medicare and Medicaid reimbursement rates shall not be deemed lost profits or consequential damages.

11.4 If and to the extent any liabilities for which indemnification is sought by Transferor are related to events or circumstances occurring both prior to and after the date hereof or are from both a cause that is indemnified and one that is not so indemnified, New Operator's obligations hereunder shall extend only to liabilities attributable to events or circumstances subsequent to the date hereof or to the indemnified event, circumstance or cause.

11.5 If and to the extent any liabilities for which indemnification is sought by New Operator are related to events or circumstances occurring both prior to and after the date hereof or are from both a cause that is indemnified and one that is not so indemnified, the Transferor's obligations hereunder shall only extend to liabilities attributable to events or circumstances prior to the date hereof or the indemnified event, circumstance or cause.

11.6 Claims by either party under this Section 11 must be brought within eighteen (18) months of the Effective Date.

11.7 The foregoing indemnification obligations shall survive this Agreement for a period of eighteen (18) months. All matters arising from an indemnified party's negligence, gross negligence or willful misconduct are excluded from the scope of the indemnification of such party set forth in Sections 11.1 and 11.2.

12. Transfer of Licenses.

12.1 New Operator shall use its commercially reasonable best efforts to obtain all necessary licenses and certifications to operate the Facility as a RCF as soon as is reasonably practicable.

12.2 Transferor agrees to use commercially reasonable efforts to accomplish the transfer of such management and operation of the Facility upon the Takeover Date assuming prior execution of the New Lease and New Operator obtaining a permission to occupy from the _____ (the "Licensing Agency"), without materially interrupting the business or operation of the Facility.

13. Further Assurances. Each of the parties hereto agrees to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other party to perfect or evidence their rights hereunder.

14. Notices and Demands. All notices and demands, requests, consents, approvals, and other similar communications under this Agreement shall be in writing and shall be sent by ~~personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:~~

To Transferor:

Attention: _____
Phone: _____
Facsimile: _____

To New Operator:

Attention: _____
Phone: _____
Facsimile: _____

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be

given. Any party hereto may designate a different address for itself by notice to the other party in accordance with this Section 14.

15. Payment of Expenses. Each party hereto shall bear its own legal, accounting and other expenses incurred in connection with the preparation and negotiation of this Agreement and the consummation of the transaction contemplated hereby, whether or not the transaction is consummated.

16. Entire Agreement; Amendment; Waiver. This Agreement, together with the other agreements referred to herein, constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements. This Agreement may not be modified or amended except in writing signed by the parties hereto. No waiver of any term, provision or condition of this Agreement in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition of this Agreement. No failure to act shall be construed as a waiver of any term, provision, condition or rights granted hereunder.

17. Assignment. Neither this Agreement nor the rights, duties or obligations arising hereunder shall be assignable or delegable by Transferor or New Operator without the prior written consent of the other party, which may be granted, denied or conditioned in such party's reasonable discretion. Subject to the foregoing, this Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of Transferor and New Operator.

18. Joint Venture; Third Party Beneficiaries. Nothing contained herein shall be construed as forming a joint venture or partnership between the parties hereto with respect to the subject matter hereof. The parties hereto do not intend that any third party shall have any rights under this Agreement.

19. Announcements. The parties hereto acknowledge and agree that any communications to the employees of the Facility regarding the terms of this Agreement and the transactions contemplated hereunder shall be mutually acceptable to the parties hereto unless required to be made pursuant to court order or law.

20. Captions. The section headings contained herein are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

21. Counterparts. This Agreement may be executed and delivered via facsimile and in one or more counterparts and all such counterparts taken together shall constitute a single original agreement.

22. Governing Law. This Agreement shall be governed in accordance with the laws of the State in which the Facility is located without regard to the conflict of rules of such State.

23. Condition Precedent. The occurrence of the Effective Date and the Takeover Date is expressly conditioned upon satisfaction of the following on and as of each of such dates: New Operator shall have obtained from the Licensing Agency any and all, new or transferred, licenses, permits and/or certificates necessary to use and operate the Facility as a RCF or otherwise confirmed the Licensing Agency's approval of the change in ownership of the Facility.

24. Termination. If the Condition Precedent set forth in Section 23 shall have not been satisfied as of the Effective Date or the Takeover Date, then such dates shall be postponed until such Condition Precedent is satisfied; provided, however, that if the Effective Date and Takeover Date shall not have occurred on or before _____, 20__, then either party may by written notice to the other terminate this Agreement, in which event neither party shall have any further duty or obligation to the other hereunder.

IN WITNESS WHEREOF, the parties hereby execute this Agreement as of the day and year first set forth above.

“Transferor”

“New Operator”

_____, a
_____, limited liability company

_____,
a _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A
TO EXIT OPERATIONS TRANSFER AGREEMENT

CLOSING SCHEDULE

(See Attached)

SCHEDULE 2.2
TO EXIT OPERATIONS TRANSFER AGREEMENT
GOVERNMENT REQUIRED PROPERTY

SCHEDULE 2.6
TO EXIT OPERATIONS TRANSFER AGREEMENT

EXCLUDED ASSETS

- All bank accounts, cash, cash equivalents, securities, and accounts receivable (including receivables from Government Program, private payors and other third party settlements), prepaid accounts, workers compensation retros and dividends, real estate and insurance escrows and inter-company accounts, and other cash balances;
- All deposits (security or otherwise), escrowed funds and similar funds, regardless of form;
- All claims, disputes and litigation, and all amounts of any nature or description relating thereto, to the extent such dispute, claim or litigation is related to the period prior to the Closing Date and would constitute an asset if resolved in a manner favorable to Transferor;
- Amounts of any nature which are or might be due to Transferor for goods provided, services rendered, or any other transaction of any type prior to the Closing Date;
- Refunds, rebates, and dividends paid in respect of workers compensation or other insurance premiums paid by Transferor prior to the Closing Date, and refunds and additional recoveries by or payments to Transferor from any person for services, provision of goods or supplies, or any other transactions prior to the Closing Date;
- Inventory disposed of in the ordinary course of business prior to the Closing Date;
- Transferor's business and financial records located at or used in connection with the operation or management of the Facility including, but not limited to, any Patient Records that Transferor is not required by any applicable law, rule or regulation to retain at the Facility and Transferor's business and financial records located at Transferor's primary corporate headquarters;
- Any contracts other than the Assumed Contracts;
- The rights of Transferor under any insurance policy applicable to the Facility for events and circumstances arising or existing, as the case may be, prior to the Closing Date;
- Patient records not required to be maintained at the Facility;
- The capital stock of the Transferor or any of its subsidiaries or affiliates;
- The consideration delivered to Transferor pursuant to this Agreement;
- All tax refunds;
- All contracts for supplies or services that apply to any facilities owned, leased or otherwise affiliated with any Transferor other than the Facility;

- Any and all policies and procedures, manuals, guidelines, and other proprietary information related to Transferor's methods of operating the Facility;

- Any and all proprietary software owned by Transferor.

SCHEDULE 9
TO EXIT OPERATIONS TRANSFER AGREEMENT

ASSUMED CONTRACTS

EXHIBIT E

Form of Limited Power of Attorney

EXHIBIT E

FORM OF LIMITED POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned as a condition of entering into that certain Master Sublease and Security Agreement with Landlord (as defined below) dated effective as of January 21, 2011, (the "Master Sublease") pursuant to which Landlord shall convey to the undersigned a leasehold interest in those certain real properties and certain personal property as set forth therein (the "Premises"), irrevocably appoints CROWN MASTER LANDLORD, LLC, a Delaware limited liability company ("Landlord"), in its capacity as Landlord, its true and lawful attorney-in-fact, and upon the occurrence of the events set forth in Section 15.1 of the Master Sublease, authorizes Landlord through its duly elected manager, in the name, place, and stead of the undersigned to make, execute, acknowledge, record, file, publish and deliver the following as set forth in the Master Sublease:

(a) The Exit Agreement (as defined in the Master Sublease); and

(b) A letter of consent enabling Landlord or its designee to consent to operate skilled nursing facilities and/or assisted living facilities with the applicable State agencies and every other regulatory agency now or hereafter claiming jurisdiction and to operate the Healthcare business at the Premises during the pendency of such application.

The foregoing appointment shall survive the bankruptcy of the entity giving such power.

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Master Sublease.

THIS POWER OF ATTORNEY IS COUPLED WITH AN INTEREST AND IS IRREVOCABLE.

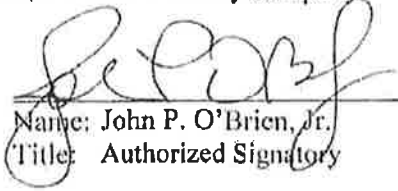
[SIGNATURE PAGE TO FOLLOW]

[Signature Page to Limited Power of Attorney – Tenant]

WITNESS the signature and seal of the below-signed this 21st day of January, 2011, effective as of January 21, , 2011


GRACE MASTER TENANT, LLC,
a Delaware limited liability company

By: _____


Name: John P. O'Brien, Jr.
Title: Authorized Signatory

STATE OF Tennessee
COUNTY/CITY OF Hannibal

This instrument was acknowledged before me this 19th day of January, 2011, by John P. O'Brien, Jr., the Authorized Signatory of Grace Master Tenant, LLC, a Delaware limited liability company, on behalf of said company.


Notary Public

My Commission Expires: 7-8-2012

EXHIBIT F

Subtenant Entities

Raintree Investments & Associates, LLC

Soddy Daisy Healthcare, LLC

St. Petersburg Nursing Home, LLC

Frederick Villa Investment & Associates, LLC

Leewood Investments & Associates, LLC

Cedar Lawn Investments, LLC

Sunland-Vero Beach, LLC

SCHEDULE 1

Licensed Beds per Facility

Name of Facility: Raintree Manor

Number of Licensed Beds: 140

Name of Facility: Soddy-Daisy Health Care

Number of Licensed Beds: 120

Name of Facility: Jacaranda Manor

Number of Licensed Beds: 299

Name of Facility: Frederick Villa Nursing Center

Number of Licensed Beds: 125

Name of Facility: Leewood Healthcare Center

Number of Licensed Beds: 132/40 (SNF/ALF)

Name of Facility: Grace Healthcare of Abingdon

Number of Licensed Beds: 119

Name of Facility: Royal Palm Convalescent Center

Number of Licensed Beds: 72

Schedule 5.4

**Insurance Certificates
(non-Michigan)**

[SEE ATTACHED]

PROPERTY INSURANCE CERTIFICATE



EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)
01/14/2011

THIS EVIDENCE OF COMMERCIAL PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

PRODUCER NAME CONTACT PERSON AND ADDRESS MARSH 1000 RIDGEWAY LOOP ROAD MEMPHIS, TN 38120		PHONE (A/C, No, Ext) 764724-ACORD--	COMPANY NAME AND ADDRESS Affiliated FIM Insurance Company	NAIC NO: 10014
FAX (A/C, No):		E-MAIL ADDRESS:	IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH	
CODE:		SUB CODE:	POLICY TYPE	
AGENCY CUSTOMER ID #:		LOAN NUMBER 070004368		
NAME OF INSURED AND ADDRESS Grace Healthcare, LLC Attn: Martha Abercrombie 7201 Shallowford Road, Suite 200 Chattanooga, TN 37421		POLICY NUMBER 0K479		
ADDITIONAL NAMED INSURED(S)		EFFECTIVE DATE 07/01/2010	EXPIRATION DATE 07/01/2011	CONTINUED UNTIL TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:				

PROPERTY INFORMATION (Use REMARKS on page 2, if more space is required) ☐ BUILDING OR ☐ BUSINESS PERSONAL PROPERTY

LOCATION/DESCRIPTION
General Electric Capital Corporation ISAOA, ATIMA, GE Healthcare Financial Services, c/o GEMSA Loan Services, LP, is added as mortgagee and loss payee as respects attached locations as required by contract and subject to closing on 1/18/2011

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION		PERILS INSURED	BASIC	BROAD	<input checked="" type="checkbox"/> SPECIAL	48
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$ 150,000,000		DED: \$10,000				
<input checked="" type="checkbox"/> BUSINESS INCOME <input type="checkbox"/> RENTAL VALUE	YES	NO	NA	IF YES, LIMIT: <input checked="" type="checkbox"/> Actual Loss Sustained; # of months: 12		
BLANKET COVERAGE	X			IF YES, indicate value(s) reported on property identified above: \$		
TERRORISM COVERAGE	X			Attach Disclosure Notice / DEC		
IS THERE A TERRORISM-SPECIFIC EXCLUSION?		X		PRO HG 3100 (1/09)		
IS DOMESTIC TERRORISM EXCLUDED?		X				
LIMITED FUNGUS COVERAGE	X			IF YES, LIMIT: \$1,000,000 DED: \$10,000		
FUNGUS EXCLUSION (If "YES", specify organization's form used)			X			
REPLACEMENT COST	X					
AGREED VALUE	X					
COINSURANCE		X		IF YES, %		
EQUIPMENT BREAKDOWN (If Applicable)	X			IF YES, LIMIT: INCL DED: \$10,000		
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg	X			150,000,000		
- Demolition Costs	X			IF YES, LIMIT: \$10,000,000 DED: \$10,000		
- Incr. Cost of Construction	X			IF YES, LIMIT: INCL ABOVE DED: \$10,000		
EARTH MOVEMENT (If Applicable)	X			IF YES, LIMIT: \$50,000,000 DED: SEE PAGE 2		
FLOOD (If Applicable)	X			IF YES, LIMIT: \$50,000,000 DED: SEE PAGE 2		
WIND / HAIL (If Subject to Different Provisions)	X			IF YES, LIMIT: see addl page text DED:		
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS	X					

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

ATL-002576000-03

<input checked="" type="checkbox"/> MORTGAGEE	CONTRACT OF SALE	LENDER SERVICING AGENT NAME AND ADDRESS
<input checked="" type="checkbox"/> LENDERS LOSS PAYABLE	Loss Payee	
NAME AND ADDRESS General Electric Capital Corporation ISAOA, ATIMA, GE Healthcare Financial Services, c/o GEMSA Loan Services, LP, 1500 City West Blvd., #200 Houston, TX 77042		AUTHORIZED REPRESENTATIVE of Marsh USA Inc. Lanier E. Garland

ADDITIONAL INFORMATION

ATL-002576008-03 DATE (MM/DD/YY)
01/14/11

PRODUCER
MARSH
1000 RIDGEWAY LOOP ROAD
MEMPHIS, TN 38120

754724-Acord--

INSURED
Grace Healthcare, LLC
Attn: Martha Abercrombie
7201 Shallowford Road, Suite 200
Chattanooga, TN 37421

COMPANIES AFFORDING COVERAGE

COMPANY
E

COMPANY
F

COMPANY
G

COMPANY
H

TEXT

*The company's liability will not exceed the respective Sub-Limits of Liability shown elsewhere for the coverages involved. However, in no event will the company's total Limit of Liability exceed \$150,000,000 as a result of any one occurrence, regardless of the number of periods, coverages or locations involved.

Business Income-Included in policy limit but Sacramento, CA excluded - Extra Expense - \$10,000,000 - Company will pay the greater of the sub-limit or 15% of the reported annual BI values.

EXTENSIONS OF COVERAGE (SUB-LIMITS) - SUBLIMITS APPLY ON A PER OCCURRENCE BASIS FOR ALL COVERAGES PROVIDED UNLESS

STATED OTHERWISE AND ARE PART OF, NOT IN ADDITION TO THE TOTAL LIMIT OF LIABILITY: LIST OF NOTABLE BUT LIMITED LIST OF SUB-LIMITS:

Accounts Receivable - \$500,000; Valuable Papers and Records - \$1,000,000; Library Books (not exceeding 50 per book) - \$500,000; Electronic Data processing, Data and Media - \$1,000,000; Off Premises Service Interruption - Property Damage \$1,000,000; Contingent Business Interruption - \$500,000

DEDUCTIBLE AMOUNT:

EARTH MOVEMENT - DED. AMOUNT: \$100,000 (Per Occurrence) for each loc. for all coverages provided; EXCEPT as respects the following two locations:

Per Occurrence for each location for all coverages provided) this company will not be liable for loss or damage to insured property unless the amount of loss or damage exceeds 5% of the combined value of property at the location where loss or damage occurs, in accordance with the valuation section of this policy and annual business interruption value as defined in the Business Interruption Endorsement attached to this policy at the time such loss or damage at the location where loss occurs, subject to a minimum deductible of \$100,000 per location. If coverage is provided for more than one location, this deductible percentage or minimum deductible amount will be calculated for and applied separately to each location - as respects (New Madrid, TN and

1) Cordova Property Investment LLC 955 S. Germantown Pkwy, Cordova TN 38018 2) Adamsville Healthcare, LLC, 409 Park Ave., Adamsville, TN

EARTHMOVEMENT - (per occurrence) \$100,000 as respects all other locations

FLOOD (per occurrence for each location for all coverages provided) - \$100,000

WIND AND/OR HAIL - (per location for all coverage provided in this policy) at the following locations:

1) St Petersburg Nursing Home LLC DBA Jacaranda Manor 4250 66th Street North, Kenneth City FL 2) Sun Land-Vero Beach LLC DBA Royal Palm Convalescent 2180 10th Ave, Vero Beach FL 3) Thorpe Office Center, 870-900 21st St, Vero Beach, FL

This company will not be liable for loss to insured property unless the amount of loss or damage exceeds 5% of the combined value of property at the location where loss or damage occurs, in accordance with the valuation section of this policy and annual business interruption value at the location where loss or damage occurs, in accordance with the Business Interruption Endorsement attached to this policy at the time such loss or damage at the location where loss occurs, subject to a minimum deductible of \$100,000 per location. If coverage is provided for more than one location, this deductible percentage or minimum deductible amount will be calculated for and applied separately to each location.

The wind and/or hail deductible shown above apply only to loss or damage directly resulting from or occurring in conjunction with a storm or weather disturbance identified by name by the U.S. National Hurricane center or any other meteorological authority, such as the Tokyo Typhoon Center or the Central Pacific Hurricane Center whether or not named prior to the loss.

1) St Petersburg Nursing Home LLC DBA Jacaranda Manor 4250 66th Street North, Kenneth City FL 2) Sun Land-Vero Beach LLC DBA Royal Palm Convalescent 2180 10th Ave, Vero Beach FL 3) Thorpe Office Center, 870-900 21st St, Vero Beach, FL

OFF PREMISES SERVICE INTERRUPTION COMBINED QUALIFYING PERIOD/WAITING PERIOD: In the event of loss or damage insured by this policy no coverage is provided unless the service interruption exceeds 24 hours beginning from the time of loss or damage covered by this policy. If the service interruption exceeds 24 hours the loss will be calculated for the time of loss or damage covered by this policy subject to following deductible:

Property Damage \$10,000 / Waiting Period 24 Hours (company's liability commences only after, and does not include, this waiting period)

EOP Equipment, Data and Media Deductible - Company's liability commences for malicious introduction of a machine code or instruction after 48 hour waiting period and does not include, the waiting period specified.

Sinkhole Included - Florida Includes Amendatory Sinkhole Coverage Endorsement - Form #4739 (10/93)
Overhead Transmission Lines Excluded in Florida

CERTIFICATE HOLDER

General Electric Capital Corporation
ISACA, ATIMA, GE Healthcare Financial Services,
c/o GEMSA Loan Services, LP,
1600 City West Blvd., #200
Houston, TX 77042

AUTHORIZED REPRESENTATIVE

of Marsh USA Inc.
BY: Lanier E. Garland

Lanier E. Garland

ADDITIONAL INFORMATION

ATL-002575006-03 DATE (MM/DD/YYYY) 01/14/11

PRODUCER

MARSH
1000 RIDGEWAY LOOP ROAD
MEMPHIS, TN 38120

COMPANIES AFFORDING COVERAGE

COMPANY

E

COMPANY

F

784724-Acord--

INSURED

Grace Healthcare, LLC
Attn: Martha Abercrombie
7201 Shallowford Road, Suite 200
Chattanooga, TN 37421

COMPANY

G

COMPANY

H

TEXT

Fungus, Mold or Mildew - Policy form PRO HC 3100 (10/09) - The policy is extended to cover direct physical loss or damage to insured property caused by or resulting from fungus, mold or mildew, when fungus, mold or mildew is the direct result of direct physical loss or damage insured by this policy. This coverage includes any cost or expense to clean up, remove, contain, treat, detoxify or neutralize fungus, mold or mildew from insured property resulting from such loss or damage - Sublimit of \$1,000,000, subject to policy deductible of \$10,000.

ALL OTHER LOSSES - \$10,000

Named Insureds and Covered Locations

Crown Master Landlord, LLC; FC/Safemed Senior Care Properties - Grace, LLC
Crown Walden Road, LLC; Cedar Lawn Investments dba Grace Healthcare of Abingdon, - 800 Walden Rd., Abingdon, VA 24210 (Bldg. - \$5,150,000/Contents - \$750,000/Business Income - \$2,587,000)
Crown Academy Road, LLC; Frederick Villa Investments & Associates, LLC dba Frederick Villa Nursing Center - 711 Academy Rd., Catonsville, MD 21228 - (Bldg. - \$7,000,000/Contents - \$887,600/Business Income - \$2,998,000)
Crown Braddock Road, LLC; Leewood Investments and Associates, LLC dba Leewood Healthcare Center - 7120 Braddock Rd., Annandale, VA 22003 - (Bldg. - \$7,643,040/Contents - \$728,000/Business Income - \$2,976,000)
Crown Tenth Avenue, LLC; Sunland Vero Beach, LLC dba Royal Palm Healthcare & Rehabilitation Center - 2180 10 Ave, Vero Beach, FL 32960 - (Bldg. \$4,000,000/Contents - \$398,000/Business Income - 8,039,000)
Crown Sixty-Six Street, LLC; St. Petersburg Nursing Home, LLC dba Jacaranda Manor - 4260 66th St. N. St. Petersburg, FL 33709 - (Bldg. - \$9,776,900/Contents - \$2,000,000/Business Income - \$5,630,000)
Crown Wells Street, LLC; Riveridge Investments & Associates, LLC dba Riveridge Manor - 1333 Wells St., Niles, MI 49120 - (Bldg. - \$5,000,000/Contents - \$517,000/Business Income - \$2,359,000)
Crown Pace Street, LLC; Reinfree Investment & Associates, LLC; dba Reinfree Manor - 416 Pace St., McMinnville, TN 37110 - (Bldg. \$8,000,000/Contents - \$770,000/Business Income - \$2,398,000)
Crown Wilbur Road, LLC; Riverview Investments & Associates, LLC dba Riverview Manor - 65378 Wilbur Rd., Three Rivers, MI 49093 - (Bldg. - \$4,393,680/Contents - \$478,600/Business Income - \$2,673,000)
Crown Sequoyah Road, LLC; Soddy Daisy Healthcare, LLC dba Soddy Daisy Healthcare Center - 701 Sequoyah Rd., Soddy Daisy, TN 37378 (Bldg. - \$9,300,000/Contents - \$880,000/Business Income - \$3,510,000)

CERTIFICATE HOLDER

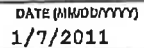
General Electric Capital Corporation
ISAQA, ATIMA, GE Healthcare Financial Services,
c/o GEMSA Loan Services, LP,
1500 City West Blvd., #200
Houston, TX 77042

AUTHORIZED REPRESENTATIVE

of Marsh USA Inc.
BY: Lanier E. Garland

Lanier E. Garland

**EXCESS
INSURANCE CERTIFICATE**



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The ACORD name and logo are registered marks of ACORD

COMMENTS/REMARKS

Additional Insureds:

Crown Master Landlord, LLC

FC/Safanad Senior Care Properties-Grace, LLC

Crown Wells Street, LLC
Riveridge Investments & Associates, LLC
DBA Riveridge Manor
1333 Wells Street
Niles, MI 49120

Crown Wilbur Road, LLC
Riverview Investments & Associates, LLC
DBA Riverview Manor
55378 Wilbur Road
Three Rivers, MI 49093

Crown Pace Street, LLC
Raintree Investments & Associates, LLC
DBA Raintree Manor
415 Pace Street
McMinnville, TN 37110

Crown Walden Road, LLC
Cedar Lawn Investments, LLC
DBA Grace Healthcare of Abingdon
600 Walden Road
Abingdon, VA 24210

Crown Sequoyah Road, LLC
Soddy Daisy Healthcare, LLC
DBA Soddy Daisy Healthcare Center
701 Sequoyah Road
Soddy Daisy, TN 37379

Crown Sixty-Sixth Street, LLC
St. Petersburg Nursing Home, LLC
DBA Jacaranda Manor
4250 66th Street
St. Petersburg, FL 33709

Crown Braddock Road, LLC
Leewood Investments & Associates, LLC
DBA Leewood Healthcare Center
7120 Braddock Road
Annandale, VA 22003

Crown Tenth Avenue, LLC
Sunland-Vero Beach, LLC
DBA Royal Palm Convalescent Center
2180 10th Avenue
Vero Beach, FL 32960

Crown Academy Road, LLC
Frederick Villa Investments & Associates, LLC
DBA Frederick Villa Nursing & Rehab Center
711 Academy Road
Catonsville, MD 21228

Additional Named Insureds

Other Named Insureds

Cedar Lawn Investments, LLC

DBA Grace Healthcare of Abingdon

Frederick Villa Investments & Associates, LLC

DBA Frederick Villa Nursing & Rehab Center

St. Petersburg Nursing Home, LLC

DBA Jacaranda Manor

LeeWood Investments & Associates, LLC

DBA LeeWood Healthcare Center

Raintree Investments & Associates, LLC

DBA Raintree Manor

Riverview Investments & Associates, LLC

DBA Riverview Manor

Soddy Daisy Healthcare, LLC

DBA Soddy Daisy Healthcare Center

Sunland-Vero Beach, LLC

DBA Royal Palm Convalescent Center

Riveridge Investments & Associates, LLC

DBA Riveridge Manor

AUTO
INSURANCE CERTIFICATE

ACORD CERTIFICATE OF LIABILITY INSURANCE						DATE (MM/DD/YYYY) 1/7/2011
PRODUCER (865) 691-4847 FAX: (865) 694-4847 TIS Insurance Services, Inc. 1900 Winston Road, Suite 100 P.O. Box 10328 Knoxville TN 37939-0328 INSURED Grace Healthcare, LLC 7201 Shallowford Road Suite 200 Chattanooga TN 37421				THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.		
				INSURERS AFFORDING COVERAGE INSURER A: American Automobile Ins INSURER B: INSURER C: INSURER D: INSURER E:	NAIC # 21849	
COVERAGES THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.						
INSR/ADD'L LTR INSURD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS	
	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO. <input type="checkbox"/> SECT. <input type="checkbox"/> LOC				EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Eq. occurr/accnt) \$ MED EXP (Any one person) \$ PERSONAL & ADY INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMPOSP AGG \$	
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON OWNED AUTOS	MXA80282050	12/1/2010	12/1/2011	COMBINED SINGLE LIMIT (Eq. occurr/accnt) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$	
	GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN EA ACC \$ AUTO ONLY: AGG \$	
A	EXCESS/UMBRELLA LIABILITY <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE \$ RETENTION \$	XSM24064164	12/1/2010	12/1/2011	EACH OCCURRENCE \$ 1,000,000 AGGREGATE \$ 1,000,000 \$ \$ \$	
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				WC STATUTORY LIMITS \$ E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$	
A	OTHER Automobile Physical Damage	MXA80282050	12/1/2010	12/1/2011	Comprehensive Ded. \$500 Collision Ded. \$1,000 Actual Cash Value	
DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS See attached listing of additional named insureds. See attached listing of additional certificate holders.						

CERTIFICATE HOLDER

General Electric Capital Corporation
 ISAOA ATIMA; GE Healthcare Financial Services;
 c/o GEMSA Loan Services, LP
 1500 City West Boulevard
 Suite 200
 Houston, TX 77042

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Taylor Preston/KIMLAN



IMPORTANT

If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.

COMMENTS/REMARKS

Additional Certificate Holders:

Crown Master Landlord, LLC
FC/Safanad Senior Care Properties-Grace, LLC
Crown Wells Street, LLC
Crown Wilbur Road, LLC
Crown Pace Street, LLC
Crown Walden Road, LLC
Crown Sequoyah Road, LLC
Crown Sixty-Sixth Street, LLC
Crown Braddock Road, LLC
Crown Tenth Avenue, LLC
Crown Academy Road, LLC

Additional Named Insureds

Other Named Insureds

Leewood Investments & Associates, LLC

DBA Leewood Healthcare Center

Preferred Health Services of Tennessee, Inc.

DBA Oneida Nursing & Rehab Center

Faonia Investments & Associates, LLC

DBA Faonia Care & Rehab Center

Phoenix Healthcare, LLC

DBA Grace Healthcare of Phoenix

Raintree Investments & Associates, LLC

DBA Raintree Manor

Riveridge Investments & Associates, LLC

DBA Riveridge Manor

Riverview Investments & Associates, LLC

DBA Riverview Manor

Rocky Ford Healthcare, LLC

DBA Pioneer Healthcare Center

Soddy Daisy Healthcare, LLC

DBA Soddy Daisy Health Care Center

Tucker Investments & Associates, LLC

DBA Grace Healthcare of Tucker

Sunland-Vero Beach, LLC

DBA Royal Palm Healthcare & Rehabilitation Center

Whites Creek Healthcare, LLC

DBA Grace Healthcare of Whites Creek

Additional Named Insureds

Other Named Insureds

Cedar Lawn Investments, LLC

DBA Grace Healthcare of Abingdon

Adamsville Healthcare, LLC

DBA Tri County Healthcare Center

Asheville Healthcare, LLC

DBA Grace Healthcare of Asheville

Bella Vista Healthcare, LLC

DBA Concordia Retirement Center

Integrity Healthcare of Clarksville, LLC

DBA Grace Healthcare of Clarksville

Cordova Healthcare, LLC

DBA Grace Healthcare of Cordova

Douglas Investments & Associates, LLC

DBA Grace Healthcare of Douglas (fka Harbors)

Durham Healthcare, LLC

DBA Grace Healthcare of Durham

Franklin Healthcare, LLC

DBA Grace Healthcare of Franklin

Frederick Villa Investments & Associates, LLC

DBA Frederick Villa Nursing & Rehab Center

Glenwood Investments & Associates, LLC

DBA Grace Healthcare of Glenwood Springs

St. Petersburg Nursing Home, LLC

DBA Jacaranda Manor

Additional Named Insureds

Other Named Insureds

Winston Salem Healthcare, LLC

DBA Grace Healthcare of Winston Salem

Grace Ancillary Services, LLC

Knollwood Psychiatric & Chemical Dependency Center

DBA Riverside Center for Behavioral Medicine

Integrity Healthcare of Celina, LLC

DBA Clay County Manor

Integrity Healthcare of Jonesborough, LLC

DBA Four Oaks Health Care Center

**WORKERS COMPENSATION
INSURANCE CERTIFICATE**

ACORD 25 CERTIFICATE OF LIABILITY INSURANCE						DATE (MM/DD/YYYY) 1/7/2011
PRODUCER (865) 691-4847 FAX: (865) 694-4847 TIS Insurance Services, Inc. 1900 Winston Road, Suite 100 P.O. Box 10328 Knoxville TN 37939-0328				THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.		
INSURED Grace Healthcare, LLC 7201 Shallowford Road Suite 200 Chattanooga TN 37421				INSURERS AFFORDING COVERAGE INSURER A: The Hartford Ins. Cos. INSURER B: INSURER C: INSURER D: INSURER E:		
COVERAGES THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES.				AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.		
INSR	ADDITIONAL	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
		GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO. <input type="checkbox"/> JECT <input type="checkbox"/> LOC				EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Acc and person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP & PAGG
		AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT OTHER THAN EA ACC AUTO ONLY: AGG
		EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE RETENTION \$				EACH OCCURRENCE AGGREGATE
A		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER	20WEOI0014	12/1/2010	12/1/2011	<input checked="" type="checkbox"/> YES STATUS: <input type="checkbox"/> NO E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYER \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS See attached listing of additional named insureds. See attached listing of additional certificate holders.						

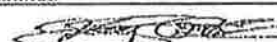
CERTIFICATE HOLDER

General Electric Capital Corporation
 ISAOA ATIMA; GE Healthcare Financial
 Services; c/o GEMSA Loan Services, LP
 1500 City West Boulevard
 Suite 200
 Houston, TX 77042

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE
 Taylor Preston/KINLAM



IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.

COMMENTS/REMARKS

Additional Certificate Holders:

Crown Master Landlord, LLC
FC/Safanad Senior Care Properties-Grace, LLC
Crown Wells Street, LLC
Crown Wilbur Road, LLC
Crown Pace Street, LLC
Crown Walden Road, LLC
Crown Sequoyah Road, LLC
Crown Sixty-Sixth Street, LLC
Crown Braddock Road, LLC
Crown Tenth Avenue, LLC
Crown Academy Road, LLC

Additional Named Insureds

Other Named Insureds

Cedar Lawn Investments, LLC

DBA Grace Healthcare of Abingdon

Adamsville Healthcare, LLC

DBA Tri County Healthcare Center

Asheville Healthcare, LLC

DBA Grace Healthcare of Asheville

Bella Vista Healthcare, LLC

DBA Concordia Retirement Center

Cordova Healthcare, LLC

DBA Grace Healthcare of Cordova

Douglas Investments & Associates, LLC

DBA Grace Healthcare of Douglas (aka Harbors)

Durham Healthcare, LLC

DBA Grace Healthcare of Durham

Franklin Healthcare, LLC

DBA Grace Healthcare of Franklin

Frederick Villa Investments & Associates, LLC

DBA Frederick Villa Nursing & Rehab Center

Glenwood Investments & Associates, LLC

DBA Grace Healthcare of Glenwood Springs

St. Petersburg Nursing Home, LLC

DBA Jacaranda Manor

Leewood Investments & Associates, LLC

DBA Leewood Healthcare Center

Additional Named Insureds

Other Named insureds

Tucker Investments & Associates, LLC

DBA Grace Healthcare of Tucker

Knollwood Psychiatric & Chemical Dependency Center

DBA Riverside Center for Behavioral Medicine

Additional Named Insureds

Other Named Insureds

Preferred Health Services of Tennessee, Inc.

DBA Oneida Nursing & Rehab Center

Paonia Investments & Associates, LLC

DBA Paonia Care & Rehab Center

Phoenix Healthcare, LLC

DBA Graco Healthcare of Phoenix

Raintree Investments & Associates, LLC

DBA Raintree Manor

Riveridge Investments & Associates, LLC

DBA Riveridge Manor

Riverview Investments & Associates, LLC

DBA Riverview Manor

Rocky Ford Healthcare, LLC

DBA Pioneer Healthcare Center

Soddy Daisy Healthcare, LLC

DBA Soddy Daisy Healthcare Center

Sunland-Vero Beach, LLC

DBA Royal Palm Healthcare & Rehabilitation Center

Whites Creek Healthcare, LLC

DBA Grace Healthcare of Whites Creek

Winston Salem Healthcare, LLC

DBA Grace Healthcare of Winston Salem

Grace Ancillary Services, LLC

GENERAL LIABILITY/PROFESSIONAL LIABILITY
CAPTIVE
INSURANCE CERTIFICATES
AND
ENDORSEMENTS



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
01/01/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Lionheart Insurance Agency, LLC 177 Meeting Street, Suite 470 Charleston SC 29401	Contact Name Jackie Pink Phone 843-853-0446 Email Jackie.Pink@lionheartinsurancegroup.com Address	INSURERS AFFORDING COVERAGE INSURER A: Sunland Risk Retention Group INSURER B: INSURER C: INSURER D: INSURER E:	NAIC #
INSURED Jacaranda Manor 4250 66 th Street North St. Petersburg, FL 33709			

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. (NOTES) IS NOT A CONTRACT. IT IS A SUMMARY OF THE COVERAGE AFFORDED BY THE POLICIES DESCRIBED HEREIN. IT IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

RISK LTA	ADDITIONAL INSURED	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS	
A	<input checked="" type="checkbox"/>	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input checked="" type="checkbox"/> LOC Retro Date: 01/01/02	SRG2011-11	01/01/2011	01/01/2012	EACH OCCURRENCE	\$ 100,000.00
						DAMAGE TO RENTED PREMISES (EA OCCURRENCE)	\$
						MED EXP (Any one person)	\$
						PERSONAL & ADV INJURY	\$
						GENERAL AGGREGATE	\$ 250,000.00
						PRODUCTS - COMPROP AGG	\$
	<input type="checkbox"/>	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Each Occurrence)	\$
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
	<input type="checkbox"/>	EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTIONS				EACH OCCURRENCE	\$
						AGGREGATE	\$
							\$
							\$
							\$
	<input type="checkbox"/>	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> WC STATUS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT	\$
						E.L. DISEASE - EA EMPLOYEE	\$
A	<input checked="" type="checkbox"/>	OTHER HOSPITAL PROFESSIONAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE Hospital Professional Liability Aggregate per Location	SRG2011-11	01/01/2011	01/01/2012	EACH OCCURRENCE	\$ 100,000.00
						FACILITY AGGREGATE	\$ 500,000.00

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
This policy is not subject to a Deductible. All rights of Subrogation against the Certificate Holder/Additional Insured/Mortgagee/Lender named in this certificate have been waived.
Terrorism coverage is not provided under this policy.

General Liability and Professional Liability Limits are limited by a shared Aggregate of \$750,000.00
This policy and other issued by Sunland Risk Retention Group is subject to an insurer Aggregate of \$3,000,000.00
Covered Location: Jacaranda Manor, 4250 66th Street North, St. Petersburg, FL 33709

CERTIFICATE HOLDER / ADDITIONAL INSURED / MORTGAGEE / LENDER

CANCELLATION

FC / Sunland Senior Care Properties-Grace, LLC

Crown Sixty-Sixth Street, LLC
Crown Master Landlord, LLC
General Electric Capital Corporation ISAOA, ATIMA
GE Healthcare Financial Services
c/o GEMSA Loan Services, LP
1500 City West Blvd., Suite 200
Houston, TX 77042

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS
AUTHORIZED REPRESENTATIVE

IMPORTANT

If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
01/01/2011

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IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	Contact Name Jackie Fink	
Lionheart Insurance Agency, LLC 177 Meeting Street, Suite 470 Charleston SC 29401	Phone 843-853-0446	
	Email Address Jackie.Fink@lionheartinsurancegroup.com	
INSURED	INSURERS AFFORDING COVERAGE	NAIC #
Royal Palm Convalescent Center 2180 10 th Avenue Vero Beach, FL 32960	INSURER A: Sunland Risk Retention Group	
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTHING TAKES ANY INSURANCE, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO THE COVERAGE OR LIMITS OF THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF EACH POLICY. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

POLICY	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input checked="" type="checkbox"/> LOC Retro Date: 01/01/02	SRG2011-12	01/01/2011	01/01/2012	EACH OCCURRENCE \$ 100,000.00 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ 250,000.00 PRODUCTS - COMP/OP AGG \$
	<input type="checkbox"/> AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Each Occurrence) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	<input type="checkbox"/> EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTIONS				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
	<input type="checkbox"/> WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> NO STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$
A	<input checked="" type="checkbox"/> OTHER HOSPITAL PROFESSIONAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE Hospital Professional Liability Aggregate per Location	SRG2011-12	01/01/2011	01/01/2012	EACH OCCURRENCE \$ 100,000.00 FACILITY AGGREGATE \$ 300,000.00

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

THIS policy is not subject to a Deductible. All rights of Subrogation against the Certificate Holder/Additional Insured/Mortgagee/Lender named in this certificate have been waived.

General Liability and Professional Liability Limits are limited by a shared Aggregate of \$550,000.00.

This policy and coverages issued by Sunland Risk Retention Group is subject to an Insurer Aggregate of \$3,000,000.00.

Covered Location: Royal Palm Convalescent Center, 2180 10th Avenue, Vero Beach, FL 32960

CERTIFICATE HOLDER / ADDITIONAL INSURED / MORTGAGEE / LENDER

FC / Safanad Senior Care Properties-Grace, LLC
Crown Tenth Avenue, LLC
Crown Master Landlord, LLC
General Electric Capital Corporation ISAOA, ATIMA
GE Healthcare Financial Services
c/o GEMSA Loan Services, LP
1600 City West Blvd., Suite 200
Houston, TX 77042

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS

AUTHORIZED REPRESENTATIVE

Rebecca Monahan

ACORD 25 (2010/05)

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IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
01/01/2011

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IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	Contact Name Jackie Fink	
Lionheart Insurance Agency, LLC 177 Meeting Street, Suite 470 Charleston SC 29401	Phone 843-853-0446	
	Email Address Jackie.Fink@lionheartinsurancegroup.com	
INSURED	INSURERS AFFORDING COVERAGE	NAIC #
Frederick Villa Investments & Associates, LLC 711 Academy Road Catonsville, MD 21228	INSURER A: Sunland Risk Retention Group	
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	

RISK LTR	ADDITIONAL	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/>	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input checked="" type="checkbox"/> LOC Ret'd Date: 01/01/02	SRG2011-16	01/01/2011	01/01/2012	EACH OCCURRENCE \$1,000,000.00 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$3,000,000.00 PRODUCTS - COM/OP AGG \$
	<input type="checkbox"/>	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Each Occurrence) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	<input type="checkbox"/>	EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTIONS				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
	<input type="checkbox"/>	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$
A	<input checked="" type="checkbox"/>	OTHER HOSPITAL PROFESSIONAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE Hospital Professional Liability Aggregate per Location	SRG2011-16	01/01/2011	01/01/2012	EACH OCCURRENCE \$200,000.00 FACILITY AGGREGATE \$500,000.00

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
This policy is not subject to a Deductible. All rights of Subrogation against the Certificate Holder/Additional Insured/Mortgagee/Lender named in this certificate have been waived.
Terrorism coverage is not provided under this policy.
General Liability and Professional Liability limits are limited by a shared Aggregate of \$3,000,000.00.
This policy and other issued by Sunland Risk Retention Group is subject to an Insurer Aggregate of \$3,000,000.00.
Covered Locations: Frederick Villa Investments & Associates, LLC, 711 Academy Road, Catonsville, MD 21228

CERTIFICATE HOLDER / ADDITIONAL INSURED / MORTGAGEE / LENDER	CANCELLATION
FC / Sunland Senior Care Properties-Graco, LLC Crown Academy Road, LLC Crown Master Landford, LLC General Electric Capital Corporation ISACA, ATIMA GE Healthcare Financial Services c/o GEMSA Loan Services, LP 1600 City West Blvd., Suite 200 Houston, TX 77042	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS AUTHORIZED REPRESENTATIVE <i>Rebecca Morrow</i>

IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
01/01/2011


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IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	Contact Name Jackie Fink	
Lionheart Insurance Agency, LLC 177 Meeting Street, Suite 470 Charleston SC 29401	Phone 843-853-0446	
	Email Address Jackie.Fink@lionheartinsurancegroup.com	
INSURED	INSURERS AFFORDING COVERAGE	NAIC #
Raintree Investments & Associates, LLC 415 Pace Street McMinnville, TN 37110	INSURER A: Sunland Risk Retention Group	
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	

RISK	ADDITIONAL RISK	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/>	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input checked="" type="checkbox"/> LOC Retro Date: 01/01/02	SRG2011-32	01/01/2011	01/01/2012	EACH OCCURRENCE \$100,000.00 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$250,000.00 PRODUCTS - COMPROP AGG \$
	<input type="checkbox"/>	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Each Occurrence) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	<input type="checkbox"/>	EXCESS UMBRELLA LIABILITY <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTIONS				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
	<input type="checkbox"/>	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$
A	<input checked="" type="checkbox"/>	OTHER HOSPITAL PROFESSIONAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE Hospital Professional Liability Aggregate per Location	SRG2011-32	01/01/2011	01/01/2012	EACH OCCURRENCE \$200,000.00 FACILITY AGGREGATE \$500,000.00

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
This policy is not subject to a Deductible. All rights of Subrogation against the Certificate Holder/Additional Insured/Mortgage Lender named in this certificate have been waived.
Termination coverage is not provided under this policy.
General Liability and Professional Liability Limits are limited by a shared Aggregate of \$750,000.00.
This policy and other issued by Sunland Risk Retention Group is subject to an Insurer Aggregate of \$3,000,000.00.
Covered Locations: Raintree Investments & Associates, LLC, 415 Pace Street, McMinnville, TN 37110

CERTIFICATE HOLDER / ADDITIONAL INSURED / MORTGAGEE / LENDER	CANCELLATION
FC / Safened Senior Care Properties-Grace, LLC Crown Pace Street, LLC Crown Master Landlord, LLC General Electric Capital Corporation ISAOA, ATIMA GE Healthcare Financial Services c/o GEMSA Loan Services, LP 1600 City West Blvd., Suite 200 Houston, TX 77042	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 

IMPORTANT

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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
01/01/2011

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PRODUCER	Contact Name Jackie Fink	
Lionheart Insurance Agency, LLC 177 Meeting Street, Suite 470 Charleston SC 29401	Phone 843-853-0416	
	Email Address Jackie.Fink@lionheartinsurancegroup.com	
INSURED	INSURERS AFFORDING COVERAGE	NAIC #
Soddy Daisy Healthcare, LLC 701 Sequoyah Road Soddy Daisy, TN 37379	INSURER A: Sunland Risk Retention Group	
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTHING IN THIS CERTIFICATE SHALL BE CONSTRUED TO ALTER, AMEND, EXTEND OR CONTRADICT ANY COVERAGE, EXCLUSION, LIMIT, DEDUCTIBLE, CO-INSURANCE, OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INS. LTR	ADDITIONAL INSURER	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/>	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input checked="" type="checkbox"/> LOC Retro Date: 01/01/02	SLRG2011-33	01/01/2011	01/01/2012	EACH OCCURRENCE \$ 100,000.00 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$250,000.00 PRODUCTS - COMPROP AGG \$
	<input type="checkbox"/>	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Each Occurrence) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	<input type="checkbox"/>	EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTIONS				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
	<input type="checkbox"/>	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/OWNER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$
A	<input checked="" type="checkbox"/>	OTHER HOSPITAL PROFESSIONAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE Hospital Professional Liability Aggregate per Location	SLRG2011-33	01/01/2011	01/01/2012	EACH OCCURRENCE \$ 250,000.00 FACILITY AGGREGATE \$ 500,000.00

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
This policy is not subject to a Deductible. All rights of Subrogation against the Certificate Holder/Additional Insured/Endorsee/Lender named in this certificate have been waived.
Terrorism coverage is not provided under this policy.
General Liability and Professional Liability Limits are limited by a shared Aggregate of \$750,000.00.
This policy and other issued by Sunland Risk Retention Group is subject to an insurer Aggregate of \$3,000,000.00.
Covered Locations: Soddy Daisy Healthcare, LLC 701 Sequoyah Road, Soddy Daisy, TN 37379

CERTIFICATE HOLDER / ADDITIONAL INSURED / MORTGAGE LENDER	CANCELLATION
FC / Safeland Senior Care Properties-Grace, LLC Crown Sequoyah Road, LLC Crown Master Landlord, LLC General Electric Capital Corporation ISAOA, ATIMA GE Healthcare Financial Services c/o GEMSA Loan Services, LP 1500 City West Blvd., Suite 200 Houston, TX 77042	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS AUTHORIZED REPRESENTATIVE <i>Rebecca Morrow</i>

IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
01/01/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER

Lionheart Insurance Agency, LLC
177 Meeting Street, Suite 170
Charleston SC 29401

Contact Name: Jackie Fink
Phone: 843-853-0446
Email: Jackie.Fink@lionheartinsurancegroup.com
Address:

INSURERS AFFORDING COVERAGE

NAIC #

INSURED

Leewood Investments & Associates, LLC
7120 Braddock Road
Annandale, VI 22003

INSURER A: Sunland Risk Retention Group
INSURER B:
INSURER C:
INSURER D:
INSURER E:

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIODS INDICATED. HOWEVER, THERE IS NO GUARANTEE, TERM OR EXTENSION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS RIGHTS MAY HAVE BEEN REDUCED BY PAID CLAIMS.

VISIT LTR	ADDITIONAL INSURED	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/>	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input checked="" type="checkbox"/> LOC Retro Date: 01/01/02	SRG2011-35	01/01/2011	01/01/2012	EACH OCCURRENCE \$ 1,000,000.00 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ 2,000,000.00 PRODUCTS - COMPROP AGO \$
	<input type="checkbox"/>	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS <input type="checkbox"/>				COMBINED SINGLE LIMIT (Each Occurrence) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	<input type="checkbox"/>	EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTIONS				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
	<input type="checkbox"/>	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$
A	<input checked="" type="checkbox"/>	OTHER HOSPITAL PROFESSIONAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE Hospital Professional Liability Aggregate per Location	SRG2011-35	01/01/2011	01/01/2012	EACH OCCURRENCE \$ 250,000.00 FACILITY AGGREGATE \$ 600,000.00

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
This policy is not subject to a Deductible. All rights of Subrogation against the Certificate Holder/Additional Insured/Endorsee, under named in this certificate have been waived.

Terrorism coverage is not provided under this policy.
General Liability and Professional Liability Limits are limited by a shared Aggregate of \$2,000,000.00.
This policy and other issued by Sunland Risk Retention Group is subject to an Insurer Aggregate of \$3,000,000.00.
Covered Location: Leewood Investments & Associates, LLC, 7120 Braddock Road, Annandale, VI 22003.

CERTIFICATE HOLDER / ADDITIONAL INSURED / MORTGAGEE / LENDER

FC / Safeland Senior Care Properties-Grace, LLC

Crown Braddock Road, LLC
Crown Master Landlord, LLC
General Electric Capital Corporation ISAOA, ATIMA
GE Healthcare Financial Services
c/o GEMSA Loan Services, LP
1600 City West Blvd., Suite 200
Houston, TX 77042

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS

AUTHORIZED REPRESENTATIVE

Robbcanonow

IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
01/01/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Lionheart Insurance Agency, LLC 177 Meeting Street, Suite 470 Charleston SC 29401	Contact Name: Jackie Fink Phone: 843-853-0446 Email Address: Jackie.Fink@lionheartinsurancegroup.com																		
INSURED Cedar Lawn Investments, LLC 600 Walden Road Arlington, VA 22210	<table border="1"><tr><th colspan="2">INSURERS AFFORDING COVERAGE</th><th>NAIC #</th></tr><tr><td>INSURER A:</td><td>Sunland Risk Retention Group</td><td></td></tr><tr><td>INSURER B:</td><td></td><td></td></tr><tr><td>INSURER C:</td><td></td><td></td></tr><tr><td>INSURER D:</td><td></td><td></td></tr><tr><td>INSURER E:</td><td></td><td></td></tr></table>	INSURERS AFFORDING COVERAGE		NAIC #	INSURER A:	Sunland Risk Retention Group		INSURER B:			INSURER C:			INSURER D:			INSURER E:		
INSURERS AFFORDING COVERAGE		NAIC #																	
INSURER A:	Sunland Risk Retention Group																		
INSURER B:																			
INSURER C:																			
INSURER D:																			
INSURER E:																			

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTHING STANDS AS A REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

RISK TYPE	ADDITIONAL INSURED	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/>	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input checked="" type="checkbox"/> LOC Retro Date: 01/01/02	SRG2011-36	01/01/2011	01/01/2012	EACH OCCURRENCE \$500,000.00 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$1,000,000.00 PRODUCTS - COMPROP AGG \$
	<input type="checkbox"/>	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Each Occurrence) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	<input type="checkbox"/>	EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTIONS				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
	<input type="checkbox"/>	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$
A	<input checked="" type="checkbox"/>	OTHER HOSPITAL PROFESSIONAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> LIMITS INCLUDING DEFENSE Hospital Professional Liability Aggregate per Location	SRG2011-36	01/01/2011	01/01/2012	EACH OCCURRENCE \$500,000.00 FACILITY AGGREGATE \$1,000,000.00

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

This policy is not subject to a Deductible. All rights of Subrogation against the Certificate Holder/Additional Insured/Mortgagee/Lender named in this certificate have been waived.

Terrorism coverage is not provided under this policy.

General Liability and Professional Liability Limits are limited by a shared Aggregate of \$1,000,000.00.

This policy and other issued by Sunland Risk Retention Group is subject to an Insurer Aggregate of \$3,000,000.00.

Covered Location: Cedar Lawn Investments, LLC, 600 Walden Road, Arlington, VA 22210.

CERTIFICATE HOLDER / ADDITIONAL INSURED / MORTGAGEE / LENDER

FC / Safenad Senior Care Properties-Graco, LLC

Crown Walden Road, LLC
Crown Master Landlord, LLC
General Electric Capital Corporation ISAOA, ATIMA
GE Healthcare Financial Services
c/o GEMSA Loan Services, LP
1600 City West Blvd., Suite 200
Houston, TX 77042

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS

AUTHORIZED REPRESENTATIVE

Rebecca Morrow

IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.

**ENDORSEMENT NO. 5
THIRD PARTY ADDITIONAL NAMED INSURED ENDORSEMENT**

This Endorsement, Issued on January 1st, 2011, forms part of

Policy No.	SRG2011-32
Issued to	Raintree Investments & Associates, LLC dba Raintree Manor
Issued by	Sunland Risk Retention Group

It is hereby noted and agreed by Underwriters that with effect from January 1st, 2011, that in consideration of the annual premium charged the following company is hereby added as an Additional Named Insured:

Crown Master Landlord, LLC and FC / Safanad Senior Care Properties-Grace, LLC
1035 Powers Place
Alpharetta, GA 30009

It is further noted and agreed that this endorsement confirms coverage for the Additional Named Insured only in respect of the activities of the Insured noted in ITEM 1 of the Declaration of this Policy. This endorsement shall in no way confirm nor infer coverage for the Additional Named Insured in respect of their own or any other activities.

It is further noted and agreed by Underwriters that all rights of subrogation are waived against the Additional Named Insured stated in this endorsement.

All other terms, conditions and limitations of this Policy shall remain unchanged.

Rebecca Monson

Authorized Representative

**ENDORSEMENT NO. 7
THIRD PARTY ADDITIONAL NAMED INSURED ENDORSEMENT**

This Endorsement, Issued on January 1st, 2011, forms part of

Policy No.	SRG2011-36
Issued to	Cedar Lawn Investments dba Abingdon Investments & Associates LLC
Issued by	Sunland Risk Retention Group

It is hereby noted and agreed by Underwriters that with effect from January 1st, 2011, that in consideration of the annual premium charged the following company is hereby added as an Additional Named Insured:

Crown Master Landlord, LLC and FC / Safanad Senior Care Properties-Grace, LLC
1035 Powers Place
Alpharetta, GA 30009

It is further noted and agreed that this endorsement confirms coverage for the Additional Named Insured only in respect of the activities of the Insured noted in ITEM 1 of the Declaration of this Policy. This endorsement shall in no way confirm nor infer coverage for the Additional Named Insured in respect of their own or any other activities.

It is further noted and agreed by Underwriters that all rights of subrogation are waived against the Additional Named Insured stated in this endorsement.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

**ENDORSEMENT NO. 7
THIRD PARTY ADDITIONAL NAMED INSURED ENDORSEMENT**

This Endorsement, Issued on January 1st, 2011, forms part of

Policy No.	SRG2011-11
Issued to	Jacaranda Manor
Issued by	Sunland Risk Retention Group

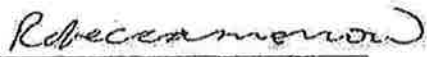
It is hereby noted and agreed by Underwriters that with effect from January 1st, 2011, that in consideration of the annual premium charged the following company is hereby added as an Additional Named Insured:

Crown Master Landlord, LLC and FC / Safanad Senior Care Properties-Grace, LLC
1035 Powers Place
Alpharetta, GA 30009

It is further noted and agreed that this endorsement confirms coverage for the Additional Named Insured only in respect of the activities of the Insured noted in ITEM 1 of the Declaration of this Policy. This endorsement shall in no way confirm nor infer coverage for the Additional Named Insured in respect of their own or any other activities.

It is further noted and agreed by Underwriters that all rights of subrogation are waived against the Additional Named Insured stated in this endorsement.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

**ENDORSEMENT NO. 9
THIRD PARTY ADDITIONAL NAMED INSURED ENDORSEMENT**

This Endorsement, Issued on January 1st, 2011, forms part of

Policy No.	SRG2011-33
Issued to	Soddy Daisy Healthcare, LLC Soddy Daisy Health Care Center
Issued by	Sunland Risk Retention Group

It is hereby noted and agreed by Underwriters that with effect from January 1st, 2011, that in consideration of the annual premium charged the following company is hereby added as an Additional Named Insured:

Crown Master Landlord, LLC and FC / Safenad Senior Care Properties-Grace, LLC
1035 Powers Place
Alpharetta, GA 30009

It is further noted and agreed that this endorsement confirms coverage for the Additional Named Insured only in respect of the activities of the Insured noted in ITEM 1 of the Declaration of this Policy. This endorsement shall in no way confirm nor infer coverage for the Additional Named Insured in respect of their own or any other activities.

It is further noted and agreed by Underwriters that all rights of subrogation are waived against the Additional Named Insured stated in this endorsement.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

**ENDORSEMENT NO. 10
THIRD PARTY ADDITIONAL NAMED INSURED ENDORSEMENT**

This Endorsement, Issued on January 1st, 2011, forms part of

Policy No.	SRG2011-16
Issued to	Frederick Villa Investments & Associates, LLC dba Frederick Villa Nursing Center
Issued by	Sunland Risk Retention Group

It is hereby noted and agreed by Underwriters that with effect from January 1st, 2011, that in consideration of the annual premium charged the following company is hereby added as an Additional Named Insured:

Crown Master Landlord, LLC and FC / Safanad Senior Care Properties-Grace, LLC
1035 Powers Place
Alpharetta, GA 30009

It is further noted and agreed that this endorsement confirms coverage for the Additional Named Insured only in respect of the activities of the Insured noted in ITEM 1 of the Declaration of this Policy. This endorsement shall in no way confirm nor infer coverage for the Additional Named Insured in respect of their own or any other activities.

It is further noted and agreed by Underwriters that all rights of subrogation are waived against the Additional Named Insured stated in this endorsement.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

**ENDORSEMENT NO. 10
THIRD PARTY ADDITIONAL NAMED INSURED ENDORSEMENT**

This Endorsement, Issued on January 1st, 2011, forms part of

Policy No.	SRG2011-35
Issued to	Leewood Investments & Associates, LLC dba Leewood Healthcare Center
Issued by	Sunland Risk Retention Group

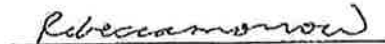
It is hereby noted and agreed by Underwriters that with effect from January 1st, 2011, that in consideration of the annual premium charged the following company is hereby added as an Additional Named Insured:

Crown Master Landlord, LLC and FC / Safanad Senior Care Properties-Grace, LLC
1035 Powers Place
Alpharetta, GA 30009

It is further noted and agreed that this endorsement confirms coverage for the Additional Named Insured only in respect of the activities of the Insured noted in ITEM 1 of the Declaration of this Policy. This endorsement shall in no way confirm nor infer coverage for the Additional Named Insured in respect of their own or any other activities.

It is further noted and agreed by Underwriters that all rights of subrogation are waived against the Additional Named Insured stated in this endorsement.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

**ENDORSEMENT NO. 13
THIRD PARTY ADDITIONAL NAMED INSURED ENDORSEMENT**

This Endorsement, Issued on January 1st, 2011, forms part of

Policy No.	SRG2011-12
Issued to	Sunland-Vero Beach, LLC
Issued by	Sunland Risk Retention Group

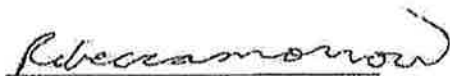
It is hereby noted and agreed by Underwriters that with effect from January 1st, 2011, that in consideration of the annual premium charged the following company is hereby added as an Additional Named Insured:

Crown Master Landlord, LLC and FC / Safanad Senior Care Properties-Grace, LLC
1035 Powers Place
Alpharetta, GA 30009

It is further noted and agreed that this endorsement confirms coverage for the Additional Named Insured only in respect of the activities of the Insured noted in ITEM 1 of the Declaration of this Policy. This endorsement shall in no way confirm nor infer coverage for the Additional Named Insured in respect of their own or any other activities.

It is further noted and agreed by Underwriters that all rights of subrogation are waived against the Additional Named Insured stated in this endorsement.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

Schedule 13.1

Adjusted Minimum Rent

In the event Senior Lender or Landlord prohibits repair or reconstruction resulting from an event of casualty or condemnation and this Lease is terminated with respect to the affected Property in accordance with the terms of Section 13.1 or Section 14.1, Minimum Rent shall be reduced by an amount equal to the product obtained by multiplying the then current Minimum Rent by a fraction the numerator of which shall be Adjusted EBITDAR for the twelve (12) months preceding the date of casualty for such Property only and the denominator of which shall be Adjusted EBITDAR for the same period for the entire Premises (plus the Michigan Facilities, on a consolidated basis).

Schedule 15.2
Tenant Personal Property

The following items are held by the Subtenants under capital leases or equipment financing arrangements. Such capital leases and financing arrangements for these items will continue to be the obligation of Subtenants for the term of the Lease. At termination of the respective lease or financing arrangement, the equipment will remain at the respective Facility pursuant to the terms of this Lease.

I. Frederick Villa Investments & Associates, LLC

- (a) Whirlpool bath; secured party is AEL Financial, LLC.
- (b) 37-channel digital television reception system; secured parties are US Bank National Association and Advantage Leasing Corp.
- (c) Medela Wound Vac; secured party is VGM Financial Services, assigned to Red Mortgage Capital.

II. Leewood Investments & Associates, LLC

- (a) Whirlpool bath; secured party is AEL Financial, LLC.
- (b) Medela Wound Vac; secured party is VGM Financial Services.
- (c) Senior Technologies Phone System; secured party is VGM Financial Services. This lease was paid off in June, 2010, but the secured party will not release its lien until the lease in II(b), above, has been satisfied.

III. St. Petersburg Nursing Home, LLC

- (a) Medela Wound Vac; secured party is VGM Financial Services.

IV. Sunland-Vero Beach, LLC

- (a) Phone EOP W/out Exise Tax DIG NEC Aspire System; secured party is US Bancorp.

SCHEDULE 22

Phase I Environmental Assessments Reports

Raintree Manor:

Phase I Environmental Site Assessment prepared for General Electric Capital Corporation, as Agent and Lender, by Donald Brice, C.P.G., Principal Geologist and Beth Kramer, Environmental Scientist, both of URS Corporation, under Project Number 14965534, dated December 6, 2010.

Soddy Daisy Health Care:

Phase I Environmental Site Assessment prepared for General Electric Capital Corporation, as Agent and Lender, by Beth Meyers Graham, Principal Environmental Scientist and Beth Kramer, Environmental Scientist, both of URS Corporation under Project Number 14965534, dated December 2, 2010.

Jacaranda Manor:

Phase I Environmental Site Assessment prepared for General Electric Capital Corporation, as Agent and Lender, by Donald Brice, C.P.G., Principal Geologist and Edward Frederick, Environmental Scientist, both of URS Corporation under Project Number 14965534, dated December 6, 2010.

Frederick Villa Nursing Center:

Phase I Environmental Site Assessment prepared for General Electric Capital Corporation, as Agent and Lender, by Donald Brice, C.P.G., Principal Geologist and Edward Frederick, Environmental Scientist, both of URS Corporation under Project Number 14965534, dated December 6, 2010.

Leewood Healthcare Center:

Phase I Environmental Site Assessment prepared for General Electric Capital Corporation, as Agent and Lender, by Donald Brice, C.P.G., Principal Geologist and Benjamin Otto, Environmental Scientist, both of URS Corporation under Project Number 14965534, dated December 1, 2010.

Grace Healthcare of Abingdon:

Phase I Environmental Site Assessment prepared for General Electric Capital Corporation, as Agent and Lender, by Beth Meyers Graham, Principal Environmental Scientist and Beth Kramer, Environmental Scientist, both of URS Corporation under Project Number 14965534, dated December 2, 2010.

Royal Palm Convalescent Center:

Phase I Environmental Site Assessment prepared for General Electric Capital Corporation, as Agent and Lender, by Donald Brice, C.P.G., Principal Geologist and Edward Frederick, Environmental Scientist, both of URS Corporation under Project Number 14965534, dated December 6, 2010.

MULTI-STATE MASTER LEASE AND SECURITY AGREEMENT

EXECUTION VERSION

MULTI-STATE MASTER LEASE AND SECURITY AGREEMENT

By and Between

**CROWN PACE STREET, LLC, a Tennessee limited liability company
CROWN SEQUOYAH ROAD, LLC, a Tennessee limited liability company
CROWN SIXTY-SIXTH STREET, LLC, a Florida limited liability company
CROWN ACADEMY ROAD, LLC, a Maryland limited liability company
CROWN BRADDOCK ROAD, LLC, a Virginia limited liability company
CROWN WALDEN ROAD, LLC, a Virginia limited liability company
CROWN TENTH AVENUE, LLC, a Florida limited liability company**

Collectively,

as "Landlord"

and

CROWN MASTER LANDLORD, LLC

a Delaware limited liability company

as "Tenant"

dated as of January 21, 2011

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MULTI-STATE MASTER LEASE AND SECURITY AGREEMENT

THIS MULTI-STATE MASTER LEASE AND SECURITY AGREEMENT (“**Lease**”) is made and entered into as of the 21st day of January, 2011, by and between **CROWN PACE STREET, LLC**, a Tennessee limited liability company, **CROWN SEQUOYAH ROAD, LLC**, a Tennessee limited liability company, **CROWN SIXTY-SIXTH STREET, LLC**, a Florida limited liability company, **CROWN ACADEMY ROAD, LLC**, a Maryland limited liability company, **CROWN BRADDOCK ROAD, LLC**, a Virginia limited liability company, **CROWN WALDEN ROAD, LLC**, a Virginia limited liability company, and **CROWN TENTH AVENUE, LLC**, a Florida limited liability company (collectively, the “**Landlord**”), and **CROWN MASTER LANDLORD, LLC**, a Delaware limited liability company (the “**Tenant**”), with reference to the following Recitals:

RECITALS

A. As of the Effective Date, Landlord is the owner of that certain real property, all improvements thereon and all appurtenances thereto, as located, identified and more specifically described on Exhibit A attached hereto (the “**Property**”), the legal description of which is set forth in Exhibit B attached hereto.

B. Landlord is also the owner of all the furniture, machinery, equipment, appliances, fixtures, supplies, inventory and other personal property located on and used or required in connection with the operation of the Property (the “**Landlord Personal Property**”) for the Healthcare Use (as defined below).

C. Landlord desires to lease the Property and the Landlord Personal Property to Tenant, and Tenant desires to lease the Property and the Landlord Personal Property from

Landlord. The Property and Landlord Personal Property shall be referred to herein collectively as the “**Premises**.”

D. Tenant is simultaneously entering into a lease for separate Premises located in Michigan (the “**Michigan Premises**”) with Crown Wells Street, LLC and Crown Wilbur Road, LLC, each a Michigan limited liability company (the “**Michigan Landlord**”).

E. Tenant intends to sublease the Premises to Grace Master Tenant, a Delaware limited liability company (“**Master Tenant**”) by entering into a Master Sublease and Security Agreement of even date herewith (the “**Multi-State Master Sublease**”) and (ii) sublease the Michigan Premises to Master Tenant by entering into a separate Master Sublease and Security Agreement of even date herewith (the “**Michigan Master Sublease**”). The Master Tenant intends to further sublease (i) each facility included in the Premises (each, a “**Facility**” and together, the “**Multi-State Facilities**”) pursuant to seven (7) sub-sublease agreements with certain subtenant operator entities and (ii) each facility included in the Michigan Premises (the “**Michigan Facilities**” and together with the Multi-State Facilities, the “**Facilities**”) pursuant to two (2) sub-sublease agreements with certain subtenant operator entities.

RECOGNITION OF MASTER LEASE;

IRREVOCABLE WAIVER OF CERTAIN RIGHTS

Tenant, in order to induce Landlord to enter into this Lease, to the extent permitted by law:

A. Agrees that: (i) this Lease is a single lease under which the collective Premises are demised as a whole to Tenant and Tenant is estopped to assert that this Lease is anything other than a unitary, indivisible, unseverable instrument pertaining to all, and not less than all, of the Premises; and (ii) neither this Lease nor the duties, obligations or rights of Tenant may be

allocated or otherwise divided among the Properties comprising the Premises by Tenant, except to the extent expressly set forth in this Lease;

B. Agrees and is estopped to assert that this Lease in any manner makes Tenant the partner, joint venturer or agent of Landlord;

C. Knowingly waives and relinquishes all rights under or benefits of the provisions of Section 365 of the United States Bankruptcy Code (11 U.S.C. § 365), or any successor or replacement provision or any analogous state law, to selectively assume or reject this Lease with respect to individual Properties as listed on Exhibit A, should, notwithstanding the provisions above, this Lease be determined or found to be in any proceeding, action or arbitration under state or federal bankruptcy, insolvency, debtor-relief or other applicable laws to constitute multiple leases demising multiple properties;

D. Agrees that: (i) this Lease is a "true lease" and is estopped to assert that it is a mortgage, equitable mortgage, deed of trust, trust agreement or other financing or trust arrangement; (ii) the economic realities of this Lease are those of a true lease; (iii) the business relationship created by this Lease is solely that of a long-term commercial lease between Landlord and Tenant and has been entered into by both parties in reliance on the economic and legal bargains contained in it; and (iv) the parties intend that this Lease be regarded as a commercial lease and that upon making a motion for assumption or rejection of the Lease in the event of bankruptcy, Landlord shall have such rights as are applicable to non-residential real estate; and

E. Agrees and is estopped to assert to the contrary that: (i) from an economic point of view the portions of the Premises leased under this Lease constitute one economic unit

and the rent and all other provisions have been negotiated and agreed upon based on a demise of all of the Premises covered by this Lease as a single, composite, inseparable transaction; (ii) except as expressly set forth in this Lease, all provisions of this Lease shall apply equally and uniformly to all the Premises as one unit and are not severable; (iii) the economic terms of this Lease would have been substantially different had separate leases for a "divisible" lease been acceptable to Landlord; (iv) except as expressly set forth in this Lease, a default in any of the terms or conditions of this Lease occurring with respect to any portion of the Premises shall be a default under this Lease with respect to all of the Premises; and (v) the provisions of this Lease shall at all times be construed, interpreted and applied such that the intention of Landlord and Tenant to create a unitary lease shall be preserved and maintained.

A G R E E M E N T

NOW THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein, Landlord and Tenant hereby agree as follows:

1. Definitions. As used herein (including any Exhibits and Schedules attached hereto), the following terms shall have the following meanings:

"Adjusted EBITDAR" shall mean, for any period, the sum of the following items: (i) Excess Cash Flow plus (ii) an amount equal to the actual amount expended for Capital Expenditures not to exceed an amount equal to Five Hundred and 00/100 Dollars (\$500.00) per Licensed Bed per annum plus any sum in excess of such amount that is required by Landlord or Senior Lender for Capital Expenditures plus (iii) the actual amount of all Minimum Rent paid by Tenant for such period plus (iv) interest in connection with the Working Capital Financing made to Tenant described in Section 8.4 below.

"Affiliate" shall mean, with respect to any Person, any other Person which Controls, is Controlled by or is under common Control with the first Person.

"Auditors" means Matheney Stees & Associates, P.C., or any of the Big Four accounting firms as selected by Tenant from time to time with written notice to Landlord or such other regional or national accounting firms selected by Tenant and approved by Landlord, which approval shall not be unreasonably withheld.

"Business Day(s)" shall mean Monday through Friday of each week, exclusive of Holidays.

"Capital Event" shall mean the sale, recapitalization, refinancing, change in Control, transfer, merger, conveyance or other capital event with respect to all or substantially all of the Premises or the entities comprising Landlord or Tenant in a single transaction or a series of transactions.

"Capital Expenditures" shall mean expenditures with respect to one or more of the Facilities (i) that are for the benefit of such property, (ii) that are capitalized in accordance with GAAP and (iii) other expenditures as Landlord, Senior Lender and Tenant may agree.

"Capital Expenditure Documents" shall mean (i) copies of paid invoices for the amounts of the Capital Expenditures then being requested (**"Cap Ex Costs"**), (ii) a brief description of the items (including evidence that pursuant to GAAP such expenditure should be capitalized), (iii) any contracts for Capital Expenditures, (iv) lien waivers and releases from all parties furnishing materials and/or services for the Cap Ex Costs, (v) evidence that all required consents or approvals from government authorities have been obtained, and (vi) such other documents as Senior Lender may reasonably require.

“Control” or **“Controlled”** shall mean, as applied to any Person, the possession, directly or indirectly, of the power to direct the management and policies of that Person, whether through ownership, voting control, by contract or otherwise.

“Current Assets” means all assets of Tenant and Subtenants that in conformity with GAAP and past practices should be classified as current assets on the balance sheet of Tenant and Subtenants, respectively, during such period.

“Current Liabilities” means all liabilities of Tenants and Subtenants that in conformity with GAAP and past practices should be classified as current liabilities on the balance sheet of Tenant and Subtenants for such period, provided that, the following liabilities shall be excluded from the definition of Current Liabilities: (i) amounts due to Manager under the Management Agreements, (ii) amounts due to Manager, including any balances due under existing Management Agreements, or to any Affiliate of Tenant, as of the Effective Date, and (iii) advances or loans made by Affiliates of Tenant to Tenant after the Effective Date. As to (ii) and (iii) above, such liabilities shall only be paid from Excess Cash Flow after the payment of Percentage Rent to Landlord.

“Current Ratio” means, at any time, the ratio of Current Assets at such time to Current Liabilities at such time.

“Debt” means, as of any date, all of the following: (a) obligations of a Person for borrowed money, whether current or long term, that in accordance with GAAP should be included as liabilities on such Person’s balance sheet; (b) the capitalized amount (determined in

accordance with GAAP) of obligations of such Person under leases required to be capitalized in accordance with GAAP for financial reporting purposes, excluding any Minimum Rent payments due under this Lease and Capital Expenditures; (c) obligations of others for which such Person is liable directly or indirectly by way of guaranty (whether by direct guaranty, suretyship, discount, endorsement, take-or-pay agreement, agreement to purchase or advance or other agreement having the effect of a guaranty) or otherwise; (d) liabilities and obligations secured by liens on any assets of such Person, whether those liabilities or obligations are recourse to such Person; and (e) liabilities of such Person, direct or contingent, with respect to letters of credit issued for the account of such Person or others or with respect to bankers' acceptances created for such Person; provided, however, "Debt" shall not include trade payables incurred or guaranteed in the ordinary course of business or as otherwise permitted by this Lease.

"Effective Date" shall mean January 21, 2011.

"Encumbrance" shall have the meaning set forth in Section 18.

"Environmental Activities" shall mean the use, generation, spilling, depositing, leaching, dumping, transportation, handling, discharge, production, treatment, storage, release or disposal of any Hazardous Materials to or from any portion of the Premises or caused to be located on or present on or under any portion of the Premises during the Term.

"Environmental Costs" include interest, costs of response, removal, remedial action, containment, cleanup, investigation, design, engineering and construction, damages (including actual, consequential and punitive damages) for personal injuries and for injury to, destruction of or loss of property or natural resources, relocation or replacement costs, penalties,

finest, charges or expenses, attorney's fees, expert fees, consultation fees, and court costs, and all amounts paid in investigating, defending or settling any of the foregoing.

"Event of Default" shall have the meaning set forth in Section 11.1.

"Excess Cash Flow" shall mean, for any period, all gross operating revenues with respect to the Premises (including, without limitation, all allowances for contractual discounts and bad debt allowance) less Operating Expenses (defined below) with respect to the Premises and less the following additional items: (i) an amount equal to the actual amount expended for Capital Expenditures not to exceed Five Hundred Dollars (\$500.00) per Licensed Bed per annum plus any sum in excess of such amount that is required by Landlord or Senior Lender pursuant to Section 6 hereof; (ii) interest in connection with the Working Capital Financing made to Tenant described in Section 8.4 below; and (iii) Minimum Rent; and (iv) the Management Fee. **"Operating Expenses"** shall mean all normal and customary operating expenses incurred by Tenant and Subtenant in connection with the Premises during any applicable period but excluding the following items: (a) any interest expense and loan fees in connection with any loans other than the Working Capital Financing described above; (b) any management fees other than the Management Fee; (c) state or federal income taxes, whether paid or deferred, made during such period; and (d) the aggregate amount of depreciation and amortization expenses for such period. The determination of Excess Cash Flow and Operating Expenses as described herein shall be made in accordance with GAAP. For the avoidance of doubt, and subject to the review and agreement of Landlord and Tenant as to each item, items classified as extraordinary or non-recurring expenses under GAAP, any expense or revenue adjustment which results from a Medicare or Medicaid audit, any uninsured claim for litigation,

any changes in applicable laws, or any other extraordinary or non-recurring expense item, shall be excluded from Operating Expenses for the purposes of determining Excess Cash Flow.

“Fixed Charge Coverage Ratio” means, at any time, the ratio of Excess Cash Flow at such time to Fixed Charges at such time.

“Fixed Charges” means, at any time, the sum of (i) all interest expense obligations of Tenant and Subtenants; plus (ii) scheduled principal payments on all debt obligations of Tenant and Subtenants; plus (iii) expenses relating to all capitalized leases of Tenant and Subtenants but excluding any such expenses of Tenants and Subtenants under this Lease, except as provided herein; plus (iv) Percentage Rent under this Lease; plus (v) dividends and distributions of Tenant and Subtenants, if any; plus (vi) income tax obligations of Tenant and Subtenants (but not less than zero), all determined on a consolidated basis and in conformity with GAAP.

“Full Insurable Value” shall mean the actual replacement value of the Premises (including all improvements, but excluding land) and every portion thereof, including the cost of compliance with changes in zoning and building codes and other laws and regulations, demolition and debris removal and increased cost of construction.

“GAAP” shall mean generally accepted accounting principles consistently applied.

“Hazardous Materials” shall mean (a) any petroleum products and/or by-products (including any fraction thereof), flammable substances, explosives, radioactive materials, hazardous or toxic wastes, substances or materials, known carcinogens or any other

materials, contaminants or pollutants which pose a hazard to any portion of the Premises or to Persons on or about any portion of the Premises or cause any portion of the Premises to be in violation of any Hazardous Materials Laws; (b) asbestos in any form which is friable; (c) urea formaldehyde in foam insulation or any other form; (d) transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million or any other more restrictive standard then prevailing; (e) medical wastes and biohazards; (f) radon gas; and (g) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of any portion of the Premises or the owners and/or occupants of property adjacent to or surrounding any portion of the Premises, including, without limitation, any materials or substances that are listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) as amended from time to time.

“Hazardous Materials Claims” shall mean any and all enforcement, clean-up, removal or other governmental or regulatory actions, or notices of material violations, or orders threatened, instituted or completed pursuant to any Hazardous Material Laws, together with all claims, causes of actions, demands, proceedings or suits made or threatened by any third party against any portion of the Premises, Landlord or Tenant relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials.

“Hazardous Materials Laws” shall mean any federal, state and local laws, ordinances, regulations, rules, orders, guidelines or policies relating to the environment, health and safety, Environmental Activities, Hazardous Materials, air and water quality, waste disposal and other environmental matters as any of the foregoing now exist or may hereafter be changed, amended, reauthorized or come into effect.

"Healthcare Requirements" shall mean all applicable requirements imposed by federal, state and local statutes, rules and regulations for the maintenance and operation of the Premises as a skilled nursing facility.

"Healthcare Use" shall mean the use and operation by Tenant or any Subtenant of the Premises as a skilled nursing facility, together with such ancillary services as are customary, including rehabilitation therapy and adult day care.

"Holidays" means New Years Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and any other nationally or regionally recognized holiday.

"Initial Term" shall have the meaning set forth in Section 2.2.

"Intangible Property" shall mean all accounts, proceeds of accounts, rents, profits, income or revenue derived from the use of rooms or other space within the Premises or the providing of services in or from any portion of the Premises; documents, chattel paper, instruments, contract rights, deposit accounts, general intangibles, now owned or hereafter acquired by Tenant or any Subtenant (including any right to any refund of any taxes or other charges heretofore or hereafter paid to any governmental authority) arising from or in connection with Tenant's or any Subtenant's operation or use of any portion of the Premises; Tenant's or any Subtenant's rights in any personal property leases affecting the Premises, management agreements, service contracts, equipment leases, maintenance agreements and construction equipment and other warranties affecting the Premises; all licenses and permits now owned or hereinafter acquired by Tenant or Subtenants, necessary or desirable for the use of any portion of the Premises under this Lease; and the right to use any trade or other name now or hereafter

associated with the operation of any portion of the Premises by Tenant or Subtenants, including, without limitation, the name set forth on Exhibit A attached hereto.

"Landlord" shall mean, collectively, Crown Pace Street, LLC, a Tennessee limited liability company, Crown Sequoyah Road, LLC, a Tennessee limited liability company, Crown Sixty-Sixth Street, LLC, a Florida limited liability company, Crown Academy Road, LLC, a Maryland limited liability company, Crown Braddock Road, LLC, a Virginia limited liability company, Crown Walden Road, LLC, a Virginia limited liability company and Crown Tenth Avenue, LLC, a Florida limited liability company, and their respective successors and assigns.

"Landlord Personal Property" shall have the meaning set forth in the Recitals, including any replacements or substitutes for the items described in the Recitals.

"Lease" shall mean this Lease and Security Agreement as the same may be amended from time to time in accordance with the terms hereof.

"Lease Year" shall mean the twelve (12) month periods commencing on January 1 of each year. Notwithstanding anything to the contrary contained herein, the first Lease Year shall commence on the date hereof and end on December 31, 2011.

"Licensed Bed" shall mean beds that are licensed by the applicable State for skilled nursing facility use.

"Management Fee" shall mean an amount equal to five percent (5%) of the annual gross revenues realized from the operation of the Premises (after adjustments for contractual adjustments and overpayment by providers) payable to the Manager.

“Manager” shall mean Grace Healthcare, LLC, its permitted successors and assigns.

“Minimum Rent” shall have the meaning set forth in Section 3.

“Percentage Rent” shall mean, for any period, fifty percent (50%) of Excess Cash Flow for such period, but in no event less than zero, and which constitutes a material portion of the rent to be paid to Landlord for the Premises hereunder.

“Percentage Rent Report” shall have the meaning set forth in Section 3.

“Person” shall mean any individual, partnership, association, corporation, limited liability company or other entity.

“Portfolio Coverage Ratio” shall mean, at any time, the ratio of Adjusted EBITDAR at such time, to Minimum Rent.

“Premises” shall have the meaning set forth in the Recitals.

“Property” shall have the meaning set forth in the Recitals.

“REIT” shall mean a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code.

“REIT Event” shall mean any event by which Landlord (a) becomes a REIT; (b) becomes wholly or partially owned, directly or indirectly, by a REIT; or (c) sells or conveys all or part of the Premises to a REIT.

“REIT Event Notification Date” shall mean the date on which Landlord notifies Tenant of the occurrence or anticipated occurrence of a REIT Event.

“Renewal Term” shall have the meaning set forth in Section 2.3.

"SEC" shall mean the Securities and Exchange Commission.

"Security Deposit Amount" shall have the meaning set forth in Section 12.1.

"Senior Lender" shall mean any senior lender(s) providing a Senior Loan.

"Senior Loan" shall mean any loan secured by a first priority mortgage on the Premises.

"State" means individually the state or collectively the states in which the Premises is located.

"Sub-Subleases" means the subleases which are reasonably acceptable to Landlord and Tenant and pursuant to which the Premises are sublet to the Subtenants.

"Subtenant(s)" means the entities described on Exhibit F attached hereto and their successors and assigns as permitted under this Lease.

"Tenant" shall mean **CROWN MASTER LANDLORD, LLC**, a Delaware limited liability company, and its permitted successors and assigns.

"Term" shall mean the Initial Term and, if applicable, the Renewal Term(s).

2. Demise; Term.

2.1 Demise. Landlord hereby leases unto Tenant the Premises for the Term and upon the conditions and provisions set forth herein.

2.2 Term. The term of this Lease shall commence at 12:01 a.m. on the Effective Date and shall end on December 31, 2020 (the **"Initial Term"**), unless extended pursuant to Sections 2.3 or 22.6 or earlier terminated in accordance with the provisions hereof.

2.3 Renewal Terms. The Term may be extended for two (2) separate renewal terms (each, a "**Renewal Term**" and collectively, the "**Renewal Terms**") of five (5) years each, upon the satisfaction of all of the following terms and conditions:

2.3.1 Tenant shall provide written notice to Landlord not earlier than twelve (12) months and not later than six (6) months before the expiration of the Initial Term or the applicable Renewal Term, as applicable, of Tenant's intention to extend the Initial Term or the then current Renewal Term, as applicable.

2.3.2 There shall be no Event of Default, which shall be continuing and uncured within any applicable cure period, or the occurrence of any event which except for the proper notice or the passage of time would become an Event of Default, under this Lease, either on the date of Tenant's notice to Landlord pursuant to Section 2.3.1 above, or on the last day of the Initial Term or first Renewal Term, as applicable.

2.3.3 Tenant shall occupy the Premises and use the Premises for the Healthcare Use.

All other provisions of this Lease shall remain in full force and effect and shall continuously apply throughout the Renewal Term.

3. Rent. During the Term, Tenant shall pay to Landlord rent as follows:

3.1 Initial Term Minimum Rent.

(a) During the Initial Term, Tenant shall pay to Landlord annualized rent in the amount of SEVEN MILLION SIX HUNDRED THOUSAND TWO HUNDRED NINETY SIX and 00/100 Dollars (\$7,600,296.00) ("**Minimum Rent**"). Such

Minimum Rent shall be paid in advance, without notice, demand or offset, by wire transfer only, as directed by Landlord, in equal monthly installments of SIX HUNDRED THIRTY THREE THOUSAND THREE HUNDRED FIFTY EIGHT and 00/100 Dollars (\$633,358.00) on the first day of each calendar month. In the event that the Effective Date of the Lease is other than the first day of a calendar month, such monthly installment of Minimum Rent shall be pro-rated and payable on the Effective Date.

(b) Commencing with the second Lease Year and continuing for each Lease Year thereafter during the Initial Term, Minimum Rent shall increase by an amount equal to two percent (2%) of the prior Lease Year's Minimum Rent, compounded annually.

3.2 Percentage Rent.

(a) Commencing with the first Lease Year on a quarterly basis and continuing on a quarterly basis during each Lease Year thereafter, within thirty (30) days after the end of each quarter, and concurrent with its payment of Minimum Rent for the month in which such payment is due, Tenant shall pay the estimated Percentage Rent, based on the monthly financial statements for such quarter prepared in accordance with Section 10.1 herein, due for the preceding quarter (ex. estimated Percentage Rent for the first quarter shall be due on or before May 1 of each Lease Year). Notwithstanding anything herein to the contrary, Percentage Rent shall be calculated on a consolidated basis for all Facilities and the Michigan Facilities.

(b) Excess Cash Flow shall be determined quarterly by Tenant and annually by the Auditors, who shall also prepare the audited financial statements required in Section 10. Tenant shall provide the (i) quarterly Excess Cash Flow statements within

sixty (60) days following each fiscal quarter and (ii) annual Excess Cash Flow report of the Auditors to Landlord within ninety (90) days following the end of each Lease Year (**Percentage Rent Report**).

(c) Within ninety (90) days following the end of each Lease Year, including the first Lease Year, Tenant shall cause the Auditors to prepare the Percentage Rent Report for such Lease Year in accordance with GAAP and the Percentage Rent Report shall be certified true and correct by the Chief Financial Officer or the Managing Member of the Manager of the Tenant and the Auditor and delivered to Landlord. In the event that the Percentage Rent is greater than the estimated Percentage Rent paid to Landlord during such Lease Year, Tenant shall within thirty (30) days of receipt of such Percentage Rent Report pay to Landlord an amount equal to the Percentage Rent less the estimated Percentage Rent paid to Landlord during such Lease Year. In the event that the estimated Percentage Rent paid to Landlord during the Lease Year is greater than the Percentage Rent due for such Lease Year, Tenant shall receive a credit against the next monthly installment of Minimum Rent due equal to the difference between the estimated Percentage Rent paid to Landlord during the Lease Year and the Percentage Rent due for such Lease Year and any amount owed in excess of the credit against Minimum Rent for such period shall be refunded directly to the Tenant; provided, however, that Tenant's credit in any month shall not exceed an amount that would cause Landlord to violate any of the financial covenants contained in any of the loan documents between Landlord and Senior Lender.

(d) Landlord reserves the right to object to the Percentage Rent Report. In the event Landlord objects to the Percentage Rent Report, Landlord shall

provide Tenant written notice within thirty (30) days of receipt of the Percentage Rent Report. Landlord and Tenant shall confer and attempt to resolve such dispute within thirty (30) days of the date of such notice.

(e) Landlord and its accountants and representatives, at Landlord's expense except as hereinafter provided, shall have the right within sixty (60) days from the date of delivery of the Percentage Rent Report to review such records and to audit the Percentage Rent Report for the immediately preceding Lease Year provided by Tenant, subject to any legal prohibitions or limitations on disclosure of any such records under applicable law or regulation, including, without limitation, such limitations as may be necessary to preserve the confidentiality of the physician-patient privilege. If any such audit discloses a deficiency of more than the greater of Ten Thousand Dollars (\$10,000.00) or three percent (3%) in the payment of Percentage Rent, Tenant shall promptly pay to Landlord any reasonable costs incurred by Landlord in conducting the audit. If any such audit discloses a deficiency of any amount in the payment of Percentage Rent, Tenant shall promptly pay to Landlord the amount of the deficiency, together with interest thereon at the Agreed Rate, as defined in Section 11.4, from the date when such payment should have been made to the date of payment thereof. If Tenant objects to the results of Landlord's audit, Tenant shall provide Landlord written notice within ten (10) days of receipt of Landlord's notice to Tenant of a deficiency in the amount of Percentage Rent. Landlord and Tenant shall confer and attempt to resolve such difference within thirty (30) days of the date of Tenant's notice. In the event such difference is not resolved, the results of Landlord's audit shall control.

(f) At Landlord's sole option, in connection with a Capital Event or a REIT Event, Landlord may either: (i) assign to a third party the right to receive Percentage Rent by providing written notice of such intent to Tenant at least thirty (30) days prior to the beginning of a calendar quarter, and Tenant and such Landlord's assignee shall enter into a written agreement pursuant to which Tenant shall pay to such assignee all Percentage Rent on the same terms and conditions, and subject to the same rights and obligations, set forth herein, but Landlord shall not be released from any obligations hereunder. In such event, commencing on the first day of such calendar quarter, Tenant shall no longer be obligated to pay Percentage Rent under this Lease to Landlord and shall pay such Percentage Rent instead to such assignee; or (ii) terminate Tenant's obligation to pay Percentage Rent and increase Minimum Rent to an amount equal to the sum of Minimum Rent in effect for the Lease Year in which such conversion occurs ("Termination Year") plus an amount equal to the average annual Percentage Rent paid during the immediately preceding twenty-four (24) month period, by providing written notice of such termination to Tenant at least thirty (30) days prior to the beginning of a calendar quarter, and in such event, the parties will enter into an amendment modifying this Lease to effect such changes in Minimum Rent commencing on the first day of such calendar quarter.

(g) During each Renewal Term, Tenant shall continue to pay to Landlord Percentage Rent in addition to Minimum Rent in accordance with this Section 3.2 unless Landlord has exercised its option to either assign or terminate Percentage Rent as set forth above in Section 3.2(f).

3.3 Renewal Term Minimum Rent.

3.3.1 The Minimum Rent for the first Lease Year of each Renewal Term shall be reset and expressed as an annual amount but shall be payable in advance in equal monthly installments by wire transfer only on the first day of each calendar month. Such annual Minimum Rent shall be equal to the greater of:

(a) One hundred two percent (102%) of the Minimum Rent for the last year of the Initial Term of the Lease or the applicable Renewal Term; and

(b) The Minimum Rent as of the Effective Date multiplied by the change in the index known as the Consumer Price Index for All Urban Consumers, All Items, U.S. City Average (CPI-U) (1982/4=100) as published by the Bureau of Labor Statistics, U.S. Department of Labor (Price Index) since the Effective Date. Such adjustment shall be accomplished by multiplying the Minimum Rent as of the Effective Date by a fraction, the numerator of which shall be the Price Index as of the month in which the Effective Date of the first Renewal Term occurs and the denominator of which shall be the Price Index as of the Effective Date. If the Price Index shall be discontinued with no successor or comparable successor index, the parties shall use any other nationally recognized cost of living index then issued and available and selected by Landlord.

3.3.2 Beginning in the second Lease Year of the applicable Renewal Term, and continuing each Lease Year of the applicable Renewal Term thereafter, Minimum Rent shall increase by 2% per year compounded annually.

3.4 Proration for Partial Periods; Business Days. The rent for any month during the Term which begins or ends on other than the first or last calendar day of a calendar month shall be prorated based on actual days elapsed. If the date for payment of any installment

of Minimum Rent or Percentage Rent falls on a non-Business Day, such installment shall be due on the first Business Day immediately preceding such payment date.

3.5 Absolute Net Lease. All rent payments shall be absolutely net to Landlord free of taxes, assessments, utility charges, operating expenses, refurnishings, insurance premiums or any other charge or expense in connection with the Premises. Except as otherwise provided herein, all expenses and charges whether capital or to be expensed, whether for upkeep, maintenance, repair, refurnishing, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Tenant. This provision is not in derogation of the specific provisions of this Lease, but in expansion thereof and as an indication of the general intentions of the parties hereto. Any present or future law to the contrary notwithstanding, this Lease shall not terminate, nor shall Tenant except as set forth in Sections 13 and 14, be entitled to any abatement, suspension, deferment, reduction, setoff, counterclaim, or defense with respect to any part of the total rent due under this Lease, nor shall the obligations of Tenant hereunder be otherwise affected, by reason of: (1) any defect in the condition, merchantability, design, construction, quality or fitness for use of the Premises or any part thereof, or the failure of the Premises to comply with any legal requirements, including any inability to occupy or use the Premises by reason of such non-compliance; (2) any damage to, removal, abandonment, salvage, loss, contamination of or release from, scrapping or destruction of or any requisition or taking of any portion of the Premises or any part thereof; (3) any restriction, prevention or curtailment of or interference with the construction on or any use or any portion of the Premises or any part thereof including eviction; (4) any defect in title to or rights to any portion of the Premises or any lien on such title or rights or on any portion of the Premises; (5) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by Landlord or

any Senior Lender; (6) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to Landlord, Tenant or any other Person, or any action taken with respect to this Lease by any trustee or receiver of Landlord, Tenant or any other Person, or by any court, in any such proceeding; (7) any claim that Tenant has or might have against any Person, including without limitation Landlord, any Senior Lender, or any vendors, manufacturer, contractor of or for any portion of the Premises; (8) any failure on the part of Landlord to perform or comply with any of the terms of this Lease or of any other agreement; (9) any invalidity or unenforceability or illegality or disaffirmance of this Lease or any provision thereof or hereof against or by Landlord or Tenant or of any document or instrument executed in connection with the Senior Loan or by the parties thereto; (10) the impossibility or illegality of performance by Landlord or Tenant; (11) any action by any court, administrative agency or other governmental authority; or (12) any other cause or circumstances whether similar or dissimilar to the foregoing and whether or not Landlord or Tenant shall have notice or knowledge of any of the foregoing. The obligations of Tenant under this Lease shall continue to be payable in all events unless such obligations shall be terminated pursuant to the express provisions of this Lease. Tenant shall continue to perform its obligations under this Lease even if Tenant claims that Tenant has been damaged by any act or omission of Landlord. Therefore, except as otherwise provided herein, Tenant shall at all times remain obligated to pay Minimum Rent and Percentage Rent (except as set forth under Section 3.2(f)) under this Lease without any right of set-off, counterclaim, abatement, deduction, reduction or defense of any kind. Tenant's sole right to recover damages against Landlord by reason of a breach or alleged breach of Landlord's obligations under this Lease shall be to prove such damages in a separate action against Landlord.

3.6 Manner of Payment of Rent. Subject to the last sentence of this Section, all Minimum Rent and Percentage Rent shall be paid to Landlord by wire transfer and shall be due without prior notice or demand. If, at any time, the Senior Loan documents require payment of rent into a deposit account, Tenant shall, upon written notice from Landlord or Senior Lender, comply with such requirements.

4. Taxes, Assessments and Other Charges.

4.1 Tenant's Obligations. Subject to Sections 4.3 and 4.6, Tenant agrees to pay and discharge (including the filing of all required returns) any and all taxes (including, but not limited to, real estate and personal property taxes, business and occupational license taxes, ad valorem sales, use, intangible property, single business, gross receipts, transaction privilege, franchise taxes, business privilege, rent or other excise taxes) and other assessments levied or assessed against Tenant, any portion of the Premises or any interest therein or Landlord (with respect to this Lease and/or the Premises), but excluding any state or federal income or sales tax based upon the net income or gross receipts of Landlord attributable to the Premises payable by Landlord (all such taxes and assessments payable by Tenant being collectively referred to herein as "**Taxes**") prior to delinquency or imposition of any fine, penalty, interest or other cost. If any of the foregoing may, at the option of the taxpayer, be paid in installments, Tenant may exercise such option to pay the same in installments (whether or not interest shall accrue on the unpaid balance) as the same respectively become due and before any delinquency, fine, penalty, or further interest or costs may be added thereto. Notwithstanding the foregoing, any Taxes which become payable upon the recordation of any document related to this Lease shall be paid by the party requesting such recordation. If any refund shall be due from any taxing authority in respect

of any imposition paid by Tenant during the Term, the same shall be paid over to or retained by Tenant.

4.2 Proration. At the commencement and at the end of the Term, all Taxes and assessments shall be prorated.

4.3 Right to Protest. Landlord and/or Tenant shall have the right, but not the obligation, to protest the amount or payment of any real or personal property taxes or assessments levied against the Premises; provided that in the event of any protest by Tenant, Landlord shall not incur any expense because of any such protest. Tenant shall diligently and continuously prosecute any such protest and notwithstanding such protest Tenant shall pay any tax, assessment or other charge before the imposition of any penalty or interest. Likewise, in the event of any protest by Landlord, Tenant shall not incur any expense because of any such protest (including penalties and/or interest).

4.4 Tax Bills. Each party shall promptly forward to the other party copies of all tax bills and payment receipts relating to the Premises received by such party.

4.5 Tax Indemnity. In the event any Taxes, or fine, penalty, and/or interest thereon are at any time assessed against Landlord by any state in which a portion of the Premises is located or any local governmental entity or authority as a result of or arising out of the lease of the Premises by Tenant from Landlord, or Landlord becomes liable for any reason for any liability of Tenant for Taxes or for any fine, penalty, or interest thereon, whether such assessment arises from the sole liability of Landlord or from the joint liability of Landlord and Tenant, and Landlord pays such assessment or liability, Tenant hereby agrees to pay to the Landlord an amount equal to the amount of such assessment of Taxes, together with any fine, penalty and

interest. Such payment shall be due and payable to Landlord on or before the thirtieth (30th) day following Tenant's receipt of a written notice from Landlord (pursuant to the notice provisions under this Lease) of any such assessment and payment. Tenant shall have the right, but not the obligation, to protest the amount or payment of such assessment (in whole or in part) against the Landlord, and Landlord will cooperate fully with Tenant in regard to such protest; provided that in the event of any protest by Tenant, Landlord shall not incur any expense because of such protest. Tenant shall diligently and continuously prosecute any such protest. To the fullest extent permitted by law, Tenant agrees to protect, indemnify, defend and save harmless Landlord, its directors, officers, shareholders, agents, and employees from and against any and all foreseeable or unforeseeable liability, expense, loss, costs, deficiency, fine, penalty, interest, or other damages (including, without limitation, punitive or consequential damages, reasonable attorneys' fees, and expenses) arising out of or due to any tax protest by Tenant pursuant to Section 4.3 hereof whether such items arise from the sole liability of Landlord or from the joint liability of Landlord and Tenant (provided, however, that such indemnification obligation of Tenant shall not apply to any protest by Landlord pursuant to Section 4.3). Upon receiving notice of or information concerning any suit, claim or demand, including any proposed tax audit of Landlord or any proposed tax assessment, asserted by a third party that Landlord believes is covered by the indemnity set forth in this Lease, Landlord shall give Tenant notice of same. Tenant shall defend Landlord against such matter at Tenant's sole cost and expense with legal counsel reasonably satisfactory to Landlord.

4.6 Impound. Unless otherwise agreed to by Landlord and Senior Lender, Tenant shall deposit with Landlord or Senior Lender, commencing on the Effective Date and at the time of each payment of an installment of Minimum Rent, one-twelfth (1/12) of (a) the amount sufficient to discharge the annual amount of real property Taxes and assessments secured

by a lien encumbering any portion of the Premises as and when they become due, (b) the amount sufficient to discharge the annual amount of personal property taxes and assessments on Landlord Personal Property and Tenant Personal Property as and when they become due, (c) if required by Landlord pursuant to Section 5.1, the annual premium for insurance policies required pursuant to Section 5 and (d) payments required pursuant to Section 6.1.3. Such amounts shall be held by Landlord, or the Senior Lender, and shall be applied to the payment of the obligations with respect to which the amounts were deposited. If at any time within thirty (30) days prior to the due date of any of the aforementioned obligations the amounts then on deposit therefore shall be insufficient for the payment of such obligation in full, Tenant shall within ten (10) days after demand, deposit the amount of the deficiency with Landlord or Senior Lender, as directed. If the amounts deposited are in excess of the actual obligations for which they were deposited, Landlord shall hold the same in a reserve account, not in trust and not bearing interest, and reduce proportionately the required monthly deposits for the ensuing Lease Year; provided that any such excess with respect to the final Lease Year of the Term shall be refunded to Tenant within thirty (30) Business Days of the end of the Term. Tenant shall deliver to Landlord or Landlord's agent, if so directed by Landlord, all Tax bills, as soon as the same are received by Tenant. Upon payment by Landlord of any sums from the impound described in this Section 4.6, Landlord shall notify Tenant of the amount that was disbursed and the party that received the disbursement. If Landlord sells or assigns this Lease, Landlord shall transfer all amounts deposited by Tenant pursuant to this Section 4.6 to the purchaser or assignee, and provided Landlord shall have complied with its obligations hereunder, Landlord shall thereafter be released from all responsibility related to, and shall have no further liability for the application of such deposits from and after the date of such sale or assignment, and to the extent Landlord

transfers such amounts, Tenant shall look solely to such purchaser or assignee for such application and for all responsibility related to such deposits.

4.7 Other Charges. Tenant agrees to pay and discharge, punctually as and when the same shall become due and payable without penalty, all electricity, gas, garbage collection, cable television, internet cable, telephone, water, sewer, and other utilities costs and all other charges, obligations or deposits assessed against the Premises during the Term.

5. Insurance.

5.1 General Insurance Requirements. Tenant shall provide, or cause Master Tenant to provide, all insurance required by Landlord or Senior Lender as set forth in this Article 5, on terms which are reasonably acceptable to Landlord and any existing or future Senior Lender, or as may otherwise be approved by Landlord and any Senior Lender from time to time. All insurance provided for in this Lease shall be maintained under valid and enforceable policies issued by Master Tenant's affiliated captive insurance company (to the extent maintained by Master Tenant), pursuant to the provisions of Section 5.15 below, or insurers of recognized responsibility, licensed and approved to do business in the jurisdiction in which the Premises is located, having a general policyholders rating of not less than A|X or better by Best's Key Rating Guide. Landlord acknowledges and approves of Master Tenant's existing insurance through its affiliated captive insurance companies, as reflected in the insurance certificates attached hereto as Schedule 5.4. Any changes to the insurance coverage existing as of the Effective Date shall be subject to the approval of Landlord and Senior Lender. Upon request of Landlord or Senior Lender, Tenant shall, or cause Master Tenant to, periodically update the insurance coverage required pursuant to this Article 5 to be consistent with market and industry standards. In addition, Tenant shall provide to Landlord, or cause Master Tenant to provide to Landlord, (i)

prior to the commencement of each Lease year, a schedule of insurance premiums due during such Lease year and (ii) written evidence of actual payment of insurance premiums in accordance with the schedule of insurance premiums, at least five (5) business days prior to the date payment is due pursuant to the insurance premium schedule. If Tenant or Master Tenant fails to make any payment of insurance premiums as required pursuant to the preceding sentence, Landlord shall have the right to require Tenant to impound the annual premium for the insurance policies required hereunder, and such payments shall be made on a monthly basis pursuant to Section 4.6 herein. Any and all policies of insurance required under this Lease shall (a) name Landlord, Senior Lender, and to the extent obtained by Master Tenant, Tenant, as additional insureds; (b) contain a standard noncontributory mortgage clause and a lender's loss payable endorsement, or their equivalent, naming Senior Lender (or any other party designated by Senior Lender) as the party to which all payments made by such insurance company shall be paid; provided, however, the use of funds shall be in accordance with Section 13; and (c) notwithstanding anything contained in this Article 5 to the contrary, satisfy all commercially reasonable requirements of the Senior Loan documents. Except as otherwise provided in this Lease, any and all policies of insurance required under this Lease other than policies required pursuant to Sections 5.3 and 5.4, shall be on an "occurrence" basis. Otherwise, the policies under Sections 5.3 and 5.4 shall be on a "claims made" basis. In addition, Landlord and Senior Lender shall be shown as the loss payable beneficiary under the casualty insurance policies maintained by Tenant pursuant to Section 5.2. All policies of insurance required herein may be in the form of "blanket" or "umbrella" type policies (provided that such "blanket" or "umbrella" policies are in compliance with the terms of any Senior Loan documents) which shall name the Landlord, Tenant, Senior Lender and Master Tenant as their interests may appear and allocate to the Premises the full amount of insurance required hereunder. Original policies or satisfactory

certificates from the insurers evidencing the existence of all policies of insurance required by this Lease and showing the interest of the Landlord and the Senior Lender shall be provided to Landlord prior to the commencement of the Term and shall provide that the subject policy may not be canceled, modified or reduced except upon not less than thirty (30) days prior written notice to Landlord and the Senior Lender. On Landlord's request, Tenant shall provide Landlord with a complete copy of any insurance policy evidenced by a certificate within thirty (30) days of such request. Originals of the renewal policies or certificates therefore from the insurers evidencing the existence thereof shall be provided to Landlord at least thirty (30) days prior to the expiration dates of the policies. If Landlord is provided with a certificate for a renewal policy, upon Landlord's request, Tenant shall deliver a copy of the complete renewal policy to Landlord within thirty (30) days of the expiration of the replaced policy. Any claims under any policies of insurance described in this Lease shall be adjudicated by and at the expense of Tenant or of its insurance carrier, but shall be subject to joint control of Tenant and Landlord. Each insurance policy required under this Lease shall contain a provision that such policy shall not be cancelled or amended, including, without limitation, any amendment that would reduce the scope or limit coverage or remove any endorsement to such policy or cause the same to no longer be in full force and effect, or fail to be renewed, without at least thirty (30) days prior written notice to Landlord and Senior Lender in each instance.

5.2 Fire and Extended Coverage. Tenant shall keep, or cause Master Tenant to keep, the Premises insured against loss or damage from all causes under standard "all risk" property insurance coverage, without exclusion for fire, lightning, windstorm, explosion, smoke damage, vehicle damage, sprinkler leakage, flood, vandalism, earthquake, malicious mischief or any other risks as are normally covered under an extended coverage endorsement, in the amounts that are not less than the Full Insurable Value of the Premises including all equipment and

personal property (whether or not Landlord Personal Property) used in the operation of the Premises. In addition, the casualty insurance required under this Section 5.2 will include an agreed amount endorsement such that the insurance carrier has accepted the amount of coverage and has agreed that there will be no co-insurance penalty.

5.3 Insurance Obtained by Landlord. If Tenant fails to provide to Landlord evidence of insurance as required by Section 5.1 above, or maintain the insurance coverages required by this Lease, Landlord, at Landlord's sole option, may obtain such insurance coverage at Tenant's sole expense, and the cost of such insurance shall be immediately payable to Landlord as additional rent under this Lease.

5.4 Professional and Public Liability Insurance. Tenant shall maintain, or cause Master Tenant to maintain, through Master Tenant's affiliated captive insurance company, with respect to the Premises, (a) insurance against liability imposed by law including contractual liability upon Master Tenant for damages on account of professional services rendered or which should have been rendered by Tenant or any Person for which acts Master Tenant is liable on account of injury, sickness or disease, including death at any time resulting therefrom, and including damages allowed for loss of service, and (b) commercial general public liability insurance coverage (including products liability, contractual liability and broad form coverage) against claims for bodily injury, death or property damage occurring on, in or about the Premises and the adjoining sidewalks and passageways, in amounts equal to those shown on the insurance certificates attached hereto as Schedule 5.4., provided that Landlord may make reasonable modifications to such requirements consistent with industry practices, subject to the prior approval of Senior Lender.

5.5 Workers Compensation. Tenant shall comply, and cause Master Tenant to comply, with all legal requirements regarding worker's compensation, including any requirement to maintain worker's compensation insurance and employer's liability insurance against claims for injuries sustained by Tenant's employees in the course of their employment.

5.6 Boiler Insurance. If applicable, Tenant shall maintain, or cause Master Tenant to maintain, with respect to the Premises, boiler and pressure vessel insurance, including an endorsement for boiler business interruption insurance, on any fixtures or equipment which are capable of bursting or exploding, in an amount not less than the replacement cost for the Premises, resulting from such perils.

5.7 Business Interruption Insurance. Tenant shall maintain, with respect to the Premises, at its expense, business interruption insurance, including use and occupancy, rental income loss and extra expense, insuring against loss of rental value for the benefit of the Landlord for a period not less than one (1) year.

5.8 Flood Insurance. Tenant shall keep (or cause to be kept) the Premises insured against loss by flood if the Premises is located in an area identified by the Federal Emergency Management Agency as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973, or the National Flood Insurance Reform Act of 1994 (and any successor acts thereto) in an amount at least equal to the lesser of (i) the Full Insurable Value with respect to the Premises, or (ii) the maximum limit of coverage available under said act.

5.9 Builder's All Risk Insurance. During any period of restoration or construction, Tenant shall carry or cause third parties to carry builder's "all risk" insurance in an

amount equal to not less than the Full Insurable Value of the Premises against such risks (including, without limitation, fire and extended coverage and collapse of the improvements to agreed limits) as Landlord may reasonably request, in form and substance acceptable to Landlord. In addition, each contractor and subcontractor shall be required to provide a certificate of insurance for worker's compensation and employer's liability insurance and general liability insurance in minimum limits of at least One Million Dollars (\$1,000,000), including coverage for premises/operations and products and completed operations. All such insurance provided by any contractor or subcontractor shall also cover Landlord and Senior Lender as additional insureds.

5.10 Ordinance or Law Coverage. Tenant shall maintain, or cause Master Tenant to maintain, ordinance or law coverage to compensate for the cost of demolition, increased cost of construction, and loss to any undamaged portions of the improvements, if the current use of the Premises or improvements themselves are or become "nonconforming" pursuant to the applicable zoning regulations, or full rebuildability following casualties is otherwise not permitted under such zoning regulations.

5.11 Tail Insurance. If, during the Term, Tenant is covered by general liability, professional liability, residential healthcare malpractice or other liability insurance on a "claims made" basis, ninety (90) days before the termination of this Lease, Tenant at its option shall procure and maintain, at Tenant's sole cost and expense, an extended reporting endorsement or "tail" insurance coverage, for a period of time at least equal to the statute of limitations for healthcare claims within the applicable jurisdiction where each Facility is located, with such coverage limits and such deductible amounts as shall be reasonably acceptable to Landlord for general liability, professional liability, residential healthcare professional malpractice or other liability claims reported after the termination of this Lease or expiration of the claims made

policy, but concerning services provided during the Term or the claims made policy. Tenant shall provide Landlord with a certificate evidencing such coverage no later than ninety (90) days before the termination of this Lease. Landlord shall have the right to apply any portion of the Security Deposit to procure and maintain the insurance required under this Section to the extent such coverage is available at commercially reasonable rates.

5.12 Waiver of Subrogation. Landlord and Tenant hereby waive any right of subrogation and right of recovery or cause of action for injury or lawsuit to the extent that such injury or loss is covered by fire, extended coverage, "all risk" or similar policies covering real property or personal property required to be obtained and maintained under this Lease (or which would have been covered if the party claiming such right of subrogation or recovery or cause of action had carried the insurance required by this Lease) or covered by any other insurance maintained by the waiving party. Written notice of the terms of the above mutual waiver shall be given to the insurance carriers of Landlord and Tenant, and the parties' insurance policies shall be properly endorsed, if necessary, to prevent the invalidation of the policies by reason of such waivers. At any time that this paragraph operates to the benefit of Landlord, Senior Lender shall similarly benefit hereby.

5.13 Additional Insurance. Tenant shall obtain such additional insurance for the Premises as Landlord or Senior Lender may reasonably request.

5.14 Deductible Amounts. The policies of insurance which Tenant is required to provide under this Lease will not have deductibles or self-insured retentions in excess of the amounts shown on **Schedule 5.4** attached hereto, unless a greater amount is approved by each of Landlord, Senior Lender, and junior lender, if any, in writing, and with such approval not to be unreasonably withheld if (a) the increased deductible will not have a material adverse impact on

the financial condition of Tenant and (b) such deductible or self-insured retention is not available on commercially reasonable economic terms.

5.15 Insurance Captive.

5.15.1 Tenant shall have the right to cause Master Tenant to utilize its established insurance captive (the “**Insurance Captive**”) to satisfy the professional liability and general liability insurance requirements under Article 5 on the terms and conditions of Section 5.15. Tenant shall cause Master Tenant to fully disclose and provide copies of all reports, documents and agreements pertaining to the proposed Insurance Captive (and/or the applicable “cells” used for Tenant and Subtenants) to Landlord and Senior Lender, which shall include, at a minimum, (i) on or before the Effective Date, the policy forms and actual captive contracts (including any credit wrap) for the Insurance Captive, which shall be in form and substance reasonably satisfactory to Landlord and Senior Lender; (ii) within ninety (90) days after the end of each Lease Year, statements required to be filed with the applicable insurance regulator, annual audited financial statements and annual captive managers report for the Insurance Captive (and/or the applicable “cells” used for Tenant and Subtenants); (iii) within thirty (30) days after the end of each calendar quarter, quarterly unaudited financial statements or other financial reporting of such captive insurance company (and/or the applicable “cells” used for Tenant and Subtenants); and (iv) within ninety (90) days after the end of each Lease Year, all studies, opinions and reports (the “**Insurance Studies**”) performed by actuaries or insurance advisors that have been engaged by or on behalf of Tenant and acceptable to Landlord, in its reasonable discretion, including, but not limited to, all loss runs (including all open and closed reported claims and paid losses), all reinsurance agreements, ACORD forms (or equivalent) and quarterly loss summary versus reserve reports, for the purpose of establishing, implementing and

maintaining the captive or other self-insurance retention program for the professional and general liability claims (or any other claims to the extent the liability is covered by such captive or other self-insurance retention program) of Tenant, Master Tenant and the Premises. For so long as any captive insurance arrangements are used by Tenant, Master Tenant and Subtenants, any such captive insurance arrangement shall be funded pursuant to annual actuarial estimates for the facilities covered by such captive insurance arrangements.

5.15.2 The Insurance Captive shall:

(i) maintain a balance sheet liability for reserves, claims, and the estimated costs associated with settling, adjudicating, and otherwise resolving professional liability and general liability claims, in an amount recommended by any nationally recognized actuarial firm selected by the Insurance Captive;

(ii) establish and maintain assets in an amount per annum equal to the estimated ultimate losses and costs, as set forth in the most recent Insurance Study, discounted in accordance with GAAP;

(iii) preserve and maintain its legal existence and its rights, privileges, franchises, and permits necessary to conduct its business; and

(iv) not own assets unrelated to or conduct business other than in connection with the self insurance program.

5.15.3 Tenant shall not permit Master Tenant to request or permit any material alteration or modification to the Insurance Captive policy and/or provider without (i) at least thirty (30) days prior written notice to Landlord and Senior Lender in each instance, and (ii)

the prior written consent of Landlord and Senior Lender in each instance, which consent shall not be unreasonably withheld.

6. Use, Maintenance and Alteration of the Premises.

6.1 Tenant's Maintenance Obligations.

6.1.1 Tenant shall be solely responsible for keeping and maintaining the Premises in good appearance, repair and condition and maintain proper housekeeping. Tenant shall promptly make or cause to be made all repairs, interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary to keep the Premises in working condition, properly repaired, replaced and maintained in the ordinary course of business.

6.1.2 As part of Tenant's obligations under this Section 6.1, Tenant shall be solely responsible for maintaining all Landlord Personal Property and all Tenant Personal Property in working order sufficient for normal operation of its business, properly maintained by Tenant in the ordinary course of business. Subject to the foregoing, Tenant shall repair and replace such property consistent with prudent industry practice for the applicable Healthcare Use.

6.1.3 Without limiting Tenant's obligation to maintain the Premises under this Lease, Tenant shall pay to Landlord or, at Landlord's election, the Senior Lender, with each installment of Minimum Rent, one-twelfth (1/12) of an annual amount equal to Five Hundred Dollars (\$500.00) per Licensed Bed (the "Capital Expenditure Amount"). Such funds shall be the sole property of Landlord but may be held in a separate account subject to the control of Senior Lender (the "Capital Expenditure

Account”), but portions thereof shall from time to time be disbursed to Tenant if Tenant submits to Landlord the Capital Expenditure Documents and such other evidence as Landlord may reasonably require evidencing that Tenant has incurred expenses for Capital Expenditures together with a request for Landlord or Senior Lender to reimburse Tenant pursuant to the Capital Expenditure Documents. Landlord shall request Senior Lender to make each such disbursement payment within thirty (30) days of the submission by Tenant of the applicable material required hereunder. Landlord shall not be obligated to disburse to Tenant any amount in excess of the escrow amount or more than once in any thirty (30) day period. Any funds being held by Landlord at the expiration of the Term shall be the sole property of Landlord. Tenant shall not be entitled to a disbursement of any Capital Expenditures during the continuance of an Event of Default. Senior Lender or Landlord may, at any time and from time to time, cause to be made inspections of the Premises by a qualified third party inspector. If any inspection report from any such third party inspection reasonably recommends that Capital Expenditures are required to cause the Premises to conform to standards that existed on the Effective Date for the Healthcare Use, Landlord shall provide Tenant with a written description of such needed Capital Expenditures and Tenant shall complete the required needed Capital Improvements to the reasonable satisfaction of Landlord within ninety (90) days of receipt of such description, or, in the event such Capital Improvements cannot be completed within ninety (90) days, Tenant shall diligently prosecute the same to completion within one hundred twenty (120) days of receipt of such description. Tenant may use funds held in the Capital Expenditure Account for any such improvements required by any such third party inspection. Any interest that accrues on

the funds in the Capital Expenditures Account shall at all times remain in the Capital Expenditure Account and may be used for Capital Expenditures.

6.2 Regulatory Compliance; Qualified Care.

6.2.1 (a) Tenant shall be solely responsible for maintaining or causing to be maintained by Subtenants any and all licensing necessary in the operation of the Premises for the applicable Healthcare Use, with certification through the Medicare and Medicaid (or any successor) programs, if applicable. Further, Tenant shall be solely responsible for ensuring that the Premises continues to be operated as the applicable Healthcare Use, licensed for not less than the applicable number of beds set forth on Schedule 1 attached hereto (as such Schedule may be amended or supplemented from time to time, provided that Tenant shall give Landlord at least thirty (30) days prior written notice of any such amendment or supplement to the Schedule and such amendment shall not be effective, except with Landlord's written approval, which shall not be unreasonably withheld, provided that such amendment shall not cause a default under the Senior Loan documents), all without any suspension, revocation, decertification or other limitation, including without any limitation on admissions or the ability to continue to provide services. Further, Tenant shall not commit any act or omission that would in any way violate any certificate of occupancy affecting any portion of the Premises.

(b) Tenant shall maintain such books, records and other material relating to the Premises, including, but not limited to patient records and records of patient funds, prior to the commencement of and during the Term, in the manner required by law.

6.2.2 (a) All inspection fees, costs and charges associated with maintaining such licensure or certification or a change of such licensure or certification shall be borne solely by Tenant. Tenant shall be solely responsible for and shall bear all costs and expenses incurred in connection with any requirements of regulatory inspections or surveys conducted after the Effective Date and during the Term and implementing any plans of correction relating to such surveys or inspections. Subject to the requirements of applicable law, Tenant agrees that it shall not request any regulatory inspection or survey of the Premises by any regulatory authority until after the Effective Date.

(b) Tenant shall be solely responsible at its sole cost to make any additions or alterations to the Premises necessitated by, or imposed in connection with, a change of ownership inspection survey for the transfer of operation of the Premises from Tenant or Tenant's assignee to Landlord or Landlord's designee at the expiration or termination of the Term, and Tenant may use funds held in the Capital Expenditure Account pursuant to Section 6.1.3 above for this purpose.

(c) Tenant represents and warrants that to the best of its knowledge and belief, it has fully completed and timely filed all licensure, change of ownership/operator, provider enrollment, provider certification, and provider application forms necessary for all payors, including Medicare and Medicaid, to initiate reimbursement to Tenant or Subtenants for program services. Tenant further represents and warrants that it has taken and will take all necessary measures to insure and expedite prompt commencement of such reimbursement following the Effective Date.

6.3 Continuous Operations; Permitted Use Tenant shall continuously use and operate the Premises during the Term as the applicable Healthcare Use, licensed for not less than the applicable number of beds set forth on Schedule 1, and for ancillary services relating thereto, and for no other purpose.

6.4 No Liens; Permitted Contests. Tenant shall not cause or permit any liens, levies or attachments to be placed or assessed against any portion of the Premises or the operation thereof for any reason. Any liens which may be filed against the Premises shall be removed or bonded off by Tenant within thirty (30) days after Tenant receives notice of any such filing. However, Tenant shall be permitted in good faith and at its expense to contest the existence, amount or validity of any lien upon any portion of the Premises by appropriate proceedings sufficient to prevent the collection or other realization of the lien or claim so contested, as well as the sale, forfeiture or loss of any portion of the Premises or any rent to satisfy the same. If any lien is contested, Tenant shall provide Landlord with security satisfactory to Landlord in Landlord's reasonable judgment to assure the foregoing. Each contest permitted by this Section 6.4 shall be promptly and diligently prosecuted to a final conclusion by Tenant.

6.5 Alterations by Tenant. Tenant shall have the right to alter, improve, replace, modify or expand the Premises, equipment or appliances in the Premises from time to time as it may determine is desirable for the continuing and proper use and maintenance of the Premises under this Lease; provided, however, that any structural alterations, improvements, expansions or modifications in excess of Fifty Thousand Dollars (\$50,000.00) with respect to each Facility included in the Premises in any rolling twelve (12) month period shall require the prior written consent of the Landlord, which consent shall not be unreasonably withheld, conditioned or

delayed. It shall be reasonable for Landlord to require appropriate insurance, security for payment of the costs incurred for the project, prior approval of the plans for the project and Senior Lender's written approval for any such project. The cost of all such alterations, improvements, replacements, modifications, expansions or other purchases, whether undertaken as an on-going licensing, Medicare or Medicaid (or any successor program) or other regulatory requirement or otherwise shall be borne solely and exclusively by Tenant and shall immediately become a part of the Premises and the property of the Landlord subject to the terms and conditions of this Lease. Tenant may use funds held in the Capital Expenditure Account to make such alterations. All work done in connection therewith shall be done in a good and workmanlike manner and in compliance with all existing codes and regulations pertaining to the Premises and shall comply with the requirements of insurance policies required under this Lease. In the event any items of the Premises have become inadequate, obsolete or worn out or require replacement (by direction of any regulatory body or otherwise), Tenant shall remove such items and exchange or replace the same at Tenant's sole cost and the same shall become part of the Premises and property of the Landlord.

7. **Condition of Premises**. Tenant acknowledges that it has expertise in the Healthcare Use industry. Tenant has thoroughly investigated the Premises, has selected the Premises to its own specifications, and has concluded that no improvements or modifications to the Premises are required to operate the Premises for its intended use. Tenant accepts the Premises for use as licensed for the Healthcare Use applicable for the Premises under this Lease on an "AS IS" basis, and assumes all responsibility and cost for correcting any observed or unobserved deficiencies or violations. In making its decision to enter into this Lease, Tenant has not relied on any representations or warranties, express or implied, of any kind from Landlord except to the extent expressly set forth in this Lease. Landlord represents and warrants that as of the Effective Date it

shall have good and indefeasible title to the Premises subject to the exceptions set forth on Exhibit C. Landlord expressly makes no representations or warranties as to the physical condition of the Premises or the habitability or fitness of the Premises for any particular use or purpose, including, without limitation, (i) its soundness for any construction or other building purposes, (ii) the availability of any utilities to the Premises, and (iii) the existing zoning. Tenant hereby agrees and acknowledges that it is solely Tenant's responsibility to ensure that Tenant has all necessary licenses or permits with respect to its permitted use and operation of the Premises and hereby releases and indemnifies Landlord for any claims arising in connection therewith.

8. Landlord and Tenant Personal Property.

8.1 Tenant Personal Property. Tenant and Subtenants shall install, affix or assemble or place on the Premises at its sole cost and expense all items of furniture, fixtures, equipment and supplies not included as Landlord Personal Property as is reasonably necessary for the use of the Premises as contemplated by this Lease (the "**Tenant Personal Property**"). Tenant and Subtenants shall provide and maintain during the entire Term all Tenant Personal Property as shall be necessary to operate the Premises in compliance with all requirements set forth in this Lease. Subject to the provisions of Section 15.2 below, all Tenant Personal Property shall be and shall remain the property of Tenant or Subtenant and may be removed by Tenant or Subtenant on the expiration of the Term. However, if there is any Event of Default which results in the termination of this Lease, Tenant will not remove the Tenant Personal Property from the Premises and will on demand from Landlord, convey all of Tenant's interest, or cause Subtenant to convey all of Subtenant's interest, in the Tenant Personal Property to Landlord by executing a bill of sale in a form reasonably required by Landlord. At Landlord's option, Tenant or Subtenant shall remove the Tenant Personal Property within thirty (30) days after receipt of a

written request by Landlord and Tenant or Subtenant will repair all damage to the Premises caused by any removal of the Tenant Personal Property.

8.2 Intentionally Deleted.

8.3 Intentionally Deleted.

8.4 Intentionally Deleted.

8.5 Intentionally Deleted.

9. Representations And Warranties. Landlord and Tenant do hereby each for itself represent and warrant to each other as follows:

9.1 Due Authorization And Execution. This Lease and all agreements, instruments and documents executed or to be executed in connection herewith by such party were duly authorized and shall be binding upon such party.

9.2 Due Organization. Landlord and Tenant are duly organized, validly existing and in good standing under the laws of the State of their respective formations and are duly authorized and qualified to do all things required of the applicable party under this Lease within the States in which the Premises are located.

9.3 No Breach of Other Agreements. Neither this Lease nor any agreement, document or instrument executed or to be executed in connection herewith, violates the terms of any other agreement to which either Landlord or Tenant is a party.

10. Financial, Management, Litigation and Regulatory Reports.

10.1 Monthly Property Reports. Within thirty (30) days after the end of each calendar month during the Term, Tenant shall prepare and deliver monthly financial reports to Landlord and Senior Lender (on a consolidated basis for such period and year-to-date) consisting of a balance sheet, income statement (stating operating revenues, operating expenses and operating income), total patient days, occupancy and payor mix concerning the business conducted at the Premises, a comparison of actual results versus the budget and, commencing in the second Lease Year, a comparison of actual results versus the prior year results, provided that the time for delivery of said reports may be extended in the event that the Senior Lender agrees in writing to extend same.

10.2 Quarterly Financial Statements. Within sixty (60) days of the end of each calendar quarter during the Term, Tenant shall deliver to Landlord and Senior Lender the quarterly financial statements of Tenant, including quarterly statements of net cash flow (consolidated, if applicable, with Tenant's Affiliates, including the manager of the Premises, if the Manager is an Affiliate of Tenant, and all Subtenants), quarterly financial statements of the Premises, a description of the type and amount of all Capital Expenditures incurred during the period and, commencing in the second Lease Year, a comparison of actual results versus the budget and a comparison of actual results versus the prior year results.

10.3 Annual Financial Statements. Within ninety (90) days of the end of each Lease Year, Tenant shall deliver to Landlord and Senior Lender the annual financial statements of Tenant (consolidated with all Subtenants), audited by the Auditors, annual financial statements of the Premises and a comparison of actual results versus the budget and, commencing in the second Lease Year, a comparison of actual results versus the prior year results, and the Percentage Rent

Report required by Section 3.2. The annual financial statements of Manager shall be provided by Tenant upon request by Landlord or Senior Lender. Notwithstanding any of the other terms of this Section 10.3, if Tenant shall become subject to any reporting requirements of the SEC during the Term, Tenant shall concurrently deliver to Landlord such reports as are delivered to the SEC pursuant to applicable securities laws within five (5) days of filing with the SEC, provided that the time for delivery of said reports may be extended in the event that the Senior Lender agrees in writing to extend same.

10.4 Accounting Principles. All of the historical financial reports and financial statements required hereby shall be prepared in accordance with GAAP, as defined herein.

10.5 Regulatory Reports and Notices. Tenant shall within five (5) Business Days of receipt thereof deliver to Landlord and Senior Lender all federal, state and local licensing and reimbursement certification surveys, inspection and other reports, notices, or requests received by Tenant as to the Premises and the operation of business thereon, including, without limitation, state department of health licensing surveys, Medicare and Medicaid (and successor programs) certification surveys, life safety code reports, any notices of violation or requests for corrective action and any correspondence concerning same. Within three (3) Business Days of the occurrence of any of the following, Tenant shall notify Landlord by email or telephone of such occurrence: any on-site regulatory activity, including without limitation, certification surveys, other inspections, or complaint investigations; any casualty loss or damage; and any other health, medical, zoning or use inspection or investigation. Such email or telephone notice shall include the following, as applicable: name of the entity conducting the inspection or investigation or instituting the regulatory activity; the reason for such regulatory activity and the details of any incident giving rise to such regulatory activity; the facility level plan of action or correction; the

corporate plan of action or correction; the timeline for any response, follow-up or additional action in connection with such survey, investigation or inspection; the proposed or imposed remedies; the media or community communication plan; and an assessment of litigation risks. As soon as practicable, but, in any event, within five (5) Business Days of receipt thereof, Tenant shall give Landlord and Senior Lender copies of any written notice of any violation of any federal, state or local licensing or reimbursement certification statute or regulation, including, without limitation, Medicare or Medicaid (or successor programs), any suspension, termination or restriction placed upon Tenant, any Subtenant or the Premises, the operation of business thereon or the ability to admit residents or patients, or any written notice of violation of any other permit, approval or certification in connection with the Premises or its business, by any federal, state or local authority, including, without limitation, Medicare or Medicaid (or successor programs). Tenant shall continue to provide Landlord with copies of any correspondence regarding said violation and written confirmation of the plan for correcting said violation.

10.6 Annual Operating Budget. At least thirty-five (35) days prior to the commencement of each subsequent fiscal year of Tenant, Tenant shall provide Landlord and Senior Lender with an annual budget covering the operations of the Premises including any proposed capital expenditures for the forthcoming fiscal year. Tenant shall also provide Landlord with such other information with respect to Tenant or the operations of the Premises as Landlord may reasonably request in writing from time to time. Notwithstanding anything to the contrary, the annual budget for the first fiscal year shall be due ninety (90) days following the Effective Date.

10.7 Litigation. If available monthly but in any event at least quarterly, Tenant shall provide third party administrative reports on all pending litigation matters (to be delivered

with the Monthly Property Reports or Quarterly Financial Statements, as applicable). In addition, Tenant shall provide periodic updates of any other pending material litigation matters which affect the Premises and/or Tenant.

10.8 Additional Information. Upon written request of the Landlord or Senior Lender, Tenant shall provide any additional information regarding the Premises and/or Tenant that Landlord or Senior Lender may reasonably request.

10.9 Certification. All statements required by this Section 10 shall be certified true and correct by the Chief Financial Officer or the Managing Member of the Manager of the Tenant.

10.10 Failure to Comply. Tenant acknowledges that the failure to furnish Landlord with any of the statements required by this Section 10 will cause Landlord to incur costs and expenses not contemplated hereunder, the exact amount of which is presently anticipated to be extremely difficult to ascertain. Accordingly, if Tenant fails to furnish Landlord with any of the statements required by this Section 10 in addition to any other remedies Landlord may have under this Lease, Tenant shall pay to Landlord upon demand Five Hundred Dollars (\$500.00) for each such failure. The parties agree that this charge represents a fair and reasonable estimate of the cost that Landlord will incur because of Tenant's failure to furnish Landlord with such statements.

10.11 Intentionally Deleted.

10.12 Financial Covenants. At all times during the Initial Term and each Renewal Term, if applicable, Tenant shall comply with the following covenants (to be calculated on a consolidated basis for all Facilities under the Michigan Master Sublease and the Multi-State Master Sublease):

(a) The operations of the Premises shall maintain for each calendar quarter during each Lease Year on a trailing twelve (12) months basis (or, if applicable, by annualizing current Lease Year to date results), a Portfolio Coverage Ratio of not less than 1.12 to 1 for each calendar quarter of 2011, 1.135 to 1 for each calendar quarter of 2012, and 1.10 to 1 for each calendar quarter after the end of 2012.

(b) Tenant shall maintain for each calendar quarter during each Lease Year, a Current Ratio of not less than 1.10 to 1.

(c) Beginning as of the Effective Date, and thereafter, Tenant shall maintain for each calendar quarter during each Lease Year on a trailing twelve (12) months basis, a Fixed Charge Coverage Ratio of not less than 1.00 to 1.

(d) None of Tenant, any Subtenant or Manager (but only for so long as Manager is an Affiliate of Tenant) will create, incur or suffer to exist any Debt, other than: (i) any existing or prospective working capital loan for use in connection with the operation of the Premises; and (ii) any Debt which is in existence on the Effective Date (or Debt that replaces such other Debt in existence on the Effective Date) which such other Debt shall not be increased, amended, modified or revised. Notwithstanding the provisions of this Section 10.12(d), Manager may create, incur or suffer to exist Debt, provided that the Manager meets the following requirements: (x) Manager must be solvent and able to pay its Debt when due, and (y) Manager must give written notice to Landlord at least ten (10) days prior to the creation of such Debt, which such notice shall include the total amount due, identity of the payee and re-payment terms.

(e) Neither Tenant nor any Subtenant shall enter into any agreement to sell all or substantially all of its assets or commence structuring of any transaction which could result in a change in

Control of the Tenant or any Subtenants without the prior written consent of Landlord, which consent may not be unreasonably withheld.

(f) Within thirty (30) days after the end of each quarter during the Term of the Lease, at the same time as the monthly reports are delivered to Landlord pursuant to Section 10.1 above, Tenant shall deliver to Landlord a certificate of compliance for the financial covenants contained in this Section 10.12, specifically including the covenant calculation for subsections (a), (b) and (c) above.

11. Events of Default and Landlord's Remedies.

11.1 Events of Default. The occurrence of any of the following shall constitute an event of default on the part of Tenant hereunder ("**Event of Default**"):

11.1.1 The failure to pay within three (3) days of the date when due any Minimum Rent or Percentage Rent;

11.1.2 The failure to pay (a) within five (5) days of the date when due, any amounts due under Section 4.6 (Impounds) herein, or Section 6.1.3 if applicable, or, (b) within five (5) days after the receipt of written notice from Landlord, any other charges or payments required of Tenant under this Lease;

11.1.3 The failure to replace or replenish the Security Deposit within ten (10) Business days of the receipt of notice of a draw thereon;

11.1.4 Any termination, suspension, revocation or material adverse action or restriction placed upon (i) Tenant, any Subtenant or the Healthcare Use of any portion of the Premises; (ii) the operation of the Healthcare business thereon which will

have a material, adverse effect on the Healthcare Use, including, without limitation, the termination of any provider agreement with a government payor without Landlord's consent; or (iii) any material certification, qualification, license, permit or other governmental authorization of any portion of the Premises, including, without, limitation, the failure to maintain any such qualification, license, permit, or other governmental authorization necessary to continue to operate the Premises for its Healthcare Use. Notwithstanding the foregoing, an Event of Default shall not exist if any suspension, revocation or material adverse action or restriction is being contested by Tenant or Subtenants as permitted by applicable law for a period of seventy-five (75) days from the date of notice of such action or as such period may be reasonably extended by Landlord in writing, subject to the approval of Senior Lender (the "Contest Period"), provided that (i) Tenant has a right to contest such action and pursues such right diligently, (ii) Tenant provides Landlord with a written plan of correction within ten (10) Business Days after receipt of notice of such action, as well as copies of all correspondence, notices, and pleadings from the contest action, and (iii) Tenant provides Landlord with weekly written status updates of the progress of the contest action during the Contest Period;

11.1.5 A default by Tenant (or any Affiliate of Tenant) under any obligation other than this Lease between Tenant (or any Affiliate of Tenant) and Landlord or any Affiliate of Landlord (including, without limitation, any financing agreement, the Michigan Master Sublease, or any other lease or management or other agreement), which default is not cured within any applicable cure period provided in the documentation for such obligation;

11.1.6 A default by Tenant with respect to any obligation under any other lease or financing agreement with any other party, specifically including Working Capital Lender, which default is not cured within any applicable cure period provided in the documentation for such obligation which is reasonably likely to have a material adverse effect on the Premises taken as a whole or the ability of the Tenant to perform its obligations hereunder;

11.1.7 A default by any Subtenant with respect to any Sublease or any lease or financing agreement with any other party, specifically including Working Capital Lender, which default is not cured within any applicable cure period provided in the documentation for such obligation and which is reasonably likely to have a material adverse effect on the Premises taken as a whole or the ability of the Tenant to perform its obligations hereunder

11.1.8 Any material misstatement or omission of fact in any written report, notice or communication from Tenant to Landlord with respect to Tenant or the Premises, and which has a material, negative impact on the Premises taken as a whole;

11.1.9 Intentionally Deleted;

11.1.10 Tenant shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make an assignment of all or substantially all of its property for the benefit of its creditors;

11.1.11 The appointment of a receiver, trustee, or liquidator for Tenant, or any of the property of Tenant, if within three (3) Business Days of Tenant's notice of such appointment Tenant does not inform Landlord in writing that Tenant intends to

cause such appointment to be discharged or Tenant does not thereafter diligently prosecute such discharge to completion within ninety (90) days after the date of such appointment;

11.1.12 The failure to (a) deliver evidence of insurance to Landlord as required by Section 5.1, following five (5) days written notice thereof from Landlord, or (b) provide evidence of the timely payment of insurance premiums required by Section 5.1;

11.1.13 The filing by Tenant of a voluntary petition under any federal bankruptcy law or under the law of any state to be adjudicated as bankrupt or for any arrangement or other debtor's relief, or in the alternative, if any such petition is involuntarily filed against Tenant by any other party and Tenant does not within three (3) Business Days of Tenant's notice of any such filing inform Landlord in writing of the intent by Tenant to cause such petition to be dismissed, if Tenant does not thereafter diligently prosecute such dismissal, or if such filing is not dismissed within ninety (90) days after filing thereof;

11.1.14 The failure by Tenant to provide any of the information or documents required by Sections 10.1, 10.2, 10.3 and 10.5 within the time period specified in such sections;

11.1.15 The failure to comply with the financial covenants in Section 10.12 above;

11.1.16 The failure to perform or comply with any other term or provision of this Lease, other than those described in Sections 11.1.1—11.1.15, inclusive,

including, without limitation, the failure to comply with the provisions hereof pertaining to the use, operation and maintenance of the Premises; provided, it shall not be deemed an Event of Default, if: (a) within five (5) Business Days of Tenant's receipt of a written notice of default from Landlord, Tenant gives Landlord notice of its intent to cure such default; and (b) Tenant cures such default within thirty (30) days after such written notice from Landlord, or if such default cannot be cured within thirty (30) days and Tenant is diligently pursuing such cure, then within seventy-five (75) days after such written notice from Landlord;

11.1.17 There shall be no cure period in the event of a breach by Tenant of any of the following, and each such breach shall be an immediate Event of Default; (a) the obligation to maintain the insurance coverages required by Section 5, above; (b) the provisions of Section 8.5, above; (c) the provisions of Section 21.1 (except for Section 21.1.3), below; (d) the provisions of Section 23, below; or (e) the failure of Tenant to extend the Initial Term of the Michigan Master Sublease for two Renewal Terms; and

11.1.18 All notice and cure periods provided herein shall run concurrently with any notice or cure periods provided by applicable law.

11.2 Remedies. Upon the occurrence of an Event of Default which is continuing and has not been cured pursuant to the applicable cure period set forth in Section 11.1 above, if any, and subject to Section 11.3 below, Landlord may exercise all rights and remedies under this Lease and the laws of the State in which the Premises is located available to a lessor of real and personal property in the event of a default by its lessee, and as to the Tenant Personal Property, including the Intangible Property, all remedies granted under the laws of such State to a secured

party under its Uniform Commercial Code. Without limiting the foregoing, Landlord shall have the right to do any of the following:

11.2.1 Sue for the specific performance of any covenant of Tenant under this Lease as to which Tenant is in breach;

11.2.2 Elect to leave this Lease in place, draw down on the Security Deposit to pay for any past due sums and sue for rent and/or other money damages as the same come due;

11.2.3 Before or after repossession of the Premises pursuant to Sections 11.2.6 and 11.2.7, and regardless of whether this Lease has been terminated, Landlord shall have the right (but shall be under no obligation except to the extent required under applicable law) to relet any portion of the Premises to such tenant or tenants, for such term or terms (which may be greater or less than the remaining balance of the Term), for such rent, or such conditions (which may include concessions or free rent) and for such uses, as Landlord, in its absolute discretion, may determine, and Landlord may collect and receive any rents payable by reason of such reletting. Landlord shall have no duty to mitigate damages unless required by applicable law and shall not be responsible or liable for any failure to relet any of the Premises or for any failure to collect any rent due upon any such reletting. Tenant agrees to pay Landlord, immediately upon demand, all expenses incurred by Landlord in obtaining possession and in reletting any of the Premises, including fees, commissions and costs of attorneys, architects, agents and brokers;

11.2.4 Exercise the remedies of a secured party under the applicable Uniform Commercial Code with respect to the Tenant Personal Property, including the Intangible Property;

11.2.5 Revoke any waiver or deferral given by Landlord of any Minimum Rent or Percentage Rent or other amount payable hereunder, and immediately thereafter all such deferred or waived amounts shall become immediately due and payable. The foregoing shall not be construed to mean that Landlord is under any obligation whatsoever to consider or grant any such deferral or waiver to Tenant;

11.2.6 Enter upon any portion of the Premises, terminate this Lease, dispossess Tenant from any portion of the Premises and/or collect money damages by reason of Tenant's breach if the Event of Default arises under Subsections 11.1.1-11.1.11, 11.1.13, 11.1.15, 11.1.16 and 11.1.17. In the event of any such termination or repossession of the Premises or any part thereof, Tenant shall pay to Landlord all Minimum Rent, Percentage Rent and other sums required to be paid by Tenant for the period to and including the date of such termination or repossession. Notwithstanding the foregoing, all obligations and liabilities of Tenant under this Lease accruing prior to such termination or repossession shall survive the termination of the Term; and

11.2.7 Enter upon any portion of the Premises, terminate this Lease, dispossess Tenant from any portion of the Premises and/or collect money damages by reason of Tenant's breach if the default arises under Subsections 11.1.12 and 11.1.14; provided, however, that such default shall not be deemed an Event of Default hereunder unless and until it has occurred more than twice during any calendar year of the Term, or more than four (4) times over the entire Term. In the event of any such termination or

repossession of the Premises or any part thereof, Tenant shall pay to Landlord all Minimum Rent, Percentage Rent and other sums required to be paid by Tenant for the period to and including the date of such termination or repossession. Notwithstanding the foregoing, all obligations and liabilities of Tenant under this Lease accruing prior to such termination or repossession shall survive the termination of the Term.

11.3 Cured Default. Notwithstanding anything contained in this Lease to the contrary, should a default of Tenant be waived pursuant to Section 11.4 or Section 11.7 below, or cured within the applicable cure period set forth in Section 11.1 above, such default shall no longer be deemed an Event of Default.

11.4 Waiver of Certain Defaults. Notwithstanding the provisions of Section 11.7 below, if an Event of Default occurs pursuant to Section 11.1.5, 11.1.6, 11.1.7, 11.1.8, 11.1.15 or 11.1.16 above, such Event of Default shall be deemed waived by Landlord provided that the following conditions are satisfied: (i) Landlord fails to exercise any of its remedies pursuant to Section 11.2 above within twelve (12) months after Landlord has either received (from Tenant) or given written notice of such Event of Default (the “**Default Period**”), (ii) Tenant cures the Event of Default to Landlord’s reasonable satisfaction within the Default Period, prior to Landlord’s exercise of any remedy hereunder, and (iii) neither Landlord nor Senior Lender shall suffer any economic harm or other adverse impact resulting from the Event of Default, as determined in Landlord’s reasonable discretion. Within three (3) Business Days after Tenant has notice or should, in the exercise of ordinary prudence, have had knowledge of the occurrence of an Event of Default (except as to Section 11.1.15, with respect to which Tenant shall provide written notice to Landlord of any such breach of any financial covenants within five (5) Business Days after Tenant has actual notice of such breach, but in no event later than

thirty (30) days after the end of the applicable fiscal quarter), Tenant shall provide written notice to Landlord of such Event of Default, and its intent to cure such Event of Default, if applicable. If Tenant fails to provide written notice to Landlord of such Event of Default in accordance with the immediately preceding sentence, or acts to prevent Landlord from exercising any of its remedies available pursuant to Section 11.2, all rights of Tenant under this Section 11.4 shall be deemed waived by Tenant. Notwithstanding any provision herein to the contrary, nothing contained in this Section 11.4 shall serve to extend the applicable cure period for Events of Default in the documents described in Sections 11.1.5, 11.1.6 and 11.1.7, if any, or for Events of Default occurring pursuant to Section 11.1.16.

11.5 Receivership. Tenant acknowledges that one of the rights and remedies that may be available to Landlord under applicable law is to apply to a court of competent jurisdiction for the appointment of a receiver to take possession of the Premises, to collect the rents, issues, profits and income of the Premises and to manage the operation of the Premises. Tenant further acknowledges that the revocation, suspension or material limitation of the certification of any portion of the Premises for provider status under Medicare or Medicaid (or successor programs) and/or the revocation, suspension or material limitation of a license relating to the operation of any portion of the Premises for its intended use under the laws of the State in which the Premises is located will materially and irreparably impair the value of Landlord's investment in the Premises. Therefore, in any of such events, and in addition to any other right or remedy of Landlord under this Lease, Landlord may petition any appropriate court for, and Tenant hereby consents to, the appointment of a receiver to take possession of the Premises, to manage the operation of the Premises, to collect and disburse all rents, issues, profits and income generated thereby and to preserve or replace to the extent possible any such license and provider certification for the Premises or to otherwise substitute the licensee or provider thereof. The

receiver shall be entitled to a reasonable fee for its services as a receiver. All such fees and other expenses of the receivership estate shall be added to the monthly rent due to Landlord under this Lease. Tenant hereby irrevocably stipulates to the appointment of a receiver under such circumstances and for such purposes and agrees not to contest such appointment.

11.6Late Charges. Tenant acknowledges that the late payment of any Minimum Rent, Percentage Rent or any other amounts due under this Lease will cause Landlord to lose the use of such money and incur costs and expenses not contemplated under this Lease, including, without limitation, administrative and collection costs and processing and accounting expenses, the exact amount of which is extremely difficult to ascertain. Therefore, (a) if any installment of Minimum Rent, Percentage Rent or any other amounts due under this Lease is not paid within three (3) days after the due date for such payment, then Tenant shall thereafter pay to Landlord on demand a late charge equal to five percent (5%) of the amount of any delinquent installments of Minimum Rent, Percentage Rent and other amounts due under this Lease and not paid on the due date; and (b) if any installment of Minimum Rent, Percentage Rent or other amounts due under this Lease is not paid within ten (10) calendar days after the due date for such payment, such unpaid amount shall accrue interest from the due date for such payment at the Prime Rate plus five percent (5%) per annum (the "**Agreed Rate**") (or the maximum rate permitted by law if less than the Agreed Rate). As used herein, "**Prime Rate**" shall mean the prime rate of interest charged by Bank of America, N.A. from time to time. Landlord and Tenant agree that this late charge and the accrual of interest at the Agreed Rate represent a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the loss suffered from any such nonpayment and/or delinquent payment by Tenant.

11.7 Remedies Cumulative; No Waiver. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter existing at law or in equity. No failure of Landlord to insist at any time upon the strict performance of any provision of this Lease or to exercise any option, right, power or remedy contained in this Lease shall be construed as a waiver, modification or relinquishment thereof as to any similar or different breach (future or otherwise) by Tenant. A receipt by Landlord of any rent or other sum due hereunder (including any late charge) with knowledge of the breach of any provision contained in this Lease shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in a writing signed by Landlord.

11.8 Performance of Tenant's Obligations by Landlord. If Tenant at any time shall fail to make any payment or perform any act on its part required to be made or performed under this Lease, then Landlord and/or Senior Lender may, without waiving or releasing Tenant from any obligations or default of Tenant hereunder, make any such payment or perform any such act for the account and at the expense of Tenant, and may enter upon any portion of the Premises for the purpose of taking all such action thereon as may be reasonably necessary therefore. No such entry shall be deemed an eviction of Tenant. All sums so paid by Landlord and all necessary and incidental costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection with the performance of any such act by Landlord, together with interest at the rate of the Agreed Rate (or if said interest rate is violative of any applicable statute or law, then the maximum interest rate allowable) from the date of the making of such payment or the incurring of such costs and expenses by Landlord, shall be payable by Tenant to Landlord on demand. Nothing in this section shall be construed to grant

Landlord the authority (or require Landlord) to engage in, including entry upon the Premises to engage in, the management or operation of the applicable Healthcare Use, to review confidential resident records, or to engage in any activity that would directly or indirectly create any responsibility or duty of or by Landlord to any resident of the Premises, it being the express intention of the parties that Tenant be solely responsible for operation of the Premises as the applicable Healthcare Use.

12. Intentionally Deleted.

13. Damage by Fire or Other Casualty.

13.1 Reconstruction Using Insurance.

13.1.1 In the event of the damage or destruction of any portion of the Premises, Tenant shall immediately notify Landlord (but in no event later than twenty-four hours after such damage or destruction) and, provided that Senior Lender consents to use of the proceeds to repair, diligently repair or reconstruct the same to a like or better condition than existed prior to such damage or destruction. Any insurance proceeds payable with respect to the casualty shall be held and used in the manner determined by Senior Lender and Landlord. In the event the net insurance proceeds are used for the repair or reconstruction of the applicable portion of the Premises, the proceeds shall be subject to reasonable disbursement controls in favor of Landlord or its Senior Lender. If such proceeds are insufficient for the repairs or reconstruction of the damaged portion of the Premises, Tenant shall provide the required additional funds. If Senior Lender prohibits the use of the funds for repairs or reconstruction, the insurance proceeds shall be utilized by Senior Lender to pay down debt owed to it.

13.1.2 Notwithstanding anything to the contrary in Section 13.1.1 above, and provided that (i) Tenant has paid to Landlord all Rent and other amounts due under the Lease through the date of such damage or destruction, (ii) the loss due to damage or destruction exceeds 50% of the full replacement value of the affected Facility, (iii) Senior Lender prohibits the use of the insurance proceeds for repairs or reconstruction and uses the insurance proceeds to pay down debt owed to it (except if any portion of the insurance proceeds is unavailable for repair or reconstruction due to any acts or omissions of Tenant or any Subtenant), and (iv) Landlord fails to repair or reconstruct the affected Facility to substantially the same condition as existed prior to such damage or destruction within eighteen (18) months after the date of such damage or destruction, then Tenant may, at Tenant's election, made within thirty (30) days after Landlord provides written notice to Tenant that the affected Facility will not be repaired to substantially the same condition as existed prior to such damage or destruction within the time period set forth in (iv) above, terminate this Lease with respect to the affected Property only. In the event of termination of this Lease as to the affected Property, Minimum Rent shall be adjusted in accordance with Schedule 13.1.

13.1.3 In the event that the loss due to damage or destruction is equal to 50% or less than the full replacement value of the affected Facility, and Senior Lender prohibits the use of the insurance proceeds for repairs or reconstruction and uses the insurance proceeds to pay down debt owed to it (except if any portion of the insurance proceeds is unavailable for repair or reconstruction due to any acts or omissions of Master Tenant or any Subtenant), then, provided that Master Tenant shall continue the operation of the Property for the Healthcare Use, the Minimum Rent for the affected Facility shall be adjusted as mutually agreed by Landlord and Tenant and approved by Senior Lender.

13.2 Surplus Proceeds. If there remains any surplus of insurance proceeds after the completion of the repair or reconstruction of the applicable portion of the Premises, and provided that such repair or reconstruction of the Premises is reasonably acceptable to Landlord, such surplus shall be paid to Tenant, provided that no Event of Default has occurred hereunder.

13.3 No Rent Abatement. The rent payable under this Lease shall not abate by reason of any damage or destruction of any portion of the Premises by reason of an insured or uninsured casualty; provided, however, that Tenant shall receive a credit against the rent and other sums due hereunder in an amount equal to the proceeds of any rental value and/or business interruption insurance carried by Tenant, which are paid to Landlord. Tenant hereby waives all rights under applicable law to abate, reduce or offset rent by reason of such damage or destruction.

14. Condemnation.

14.1 Complete Taking. If during the Term all or substantially all of any Property is taken or condemned by any competent public or quasi-public authority, and provided that (i) Tenant has paid Landlord all Rent and other amounts due pursuant to this Lease through the date of such taking or condemnation, (ii) Landlord or Senior Lender fails to make available for rebuilding the proceeds from any award, and (iii) Landlord fails to repair the affected Facility to substantially the same condition as existed prior to such taking or condemnation within eighteen (18) months after the date of such taking or condemnation, then, Tenant may, at Tenant's election, made within thirty (30) days after Landlord provides written notice to Tenant that the affected Facility will not be repaired to substantially the same condition as existed prior to such taking or condemnation within the time period set forth above, terminate this Lease with respect to the affected Property only. The award payable upon such taking shall be paid to Landlord,

and Tenant shall be entitled to seek a separate claim from the condemning authority for Tenant's damages. In the event of a termination of the Lease as to the affected Property, Minimum Rent shall be adjusted in accordance with Schedule 14.1.

14.2 Partial Taking. In the event such condemnation proceeding or right of eminent domain results in a taking of less than all or substantially all of a Property, and such taking does not prevent Tenant from operating the Premises for the Healthcare Use, Landlord shall be entitled to receive and retain any and all awards for the partial taking and damage except that Tenant shall be entitled to seek a separate claim from the condemning authority for Tenant's damages, including but not limited to moving expenses, and any unamortized capital addition costs paid by the Tenant. Notwithstanding the preceding sentence, such proceeds shall be held and used in the manner required by the Senior Loan documents. Tenant shall promptly proceed to restore, replace, repair or rebuild the affected Premises to the extent practicable to be of substantially equal value and of substantially the same character as prior to the taking, provided that the award proceeds are made available to Tenant as soon as practicable after such award proceeds are available from the condemning authority. If such proceeds are insufficient for the repairs or reconstruction of the Premises, Tenant shall provide the required additional funds. The Minimum Rent for the affected Facility shall be adjusted as mutually agreed by Landlord and Tenant and approved by Senior Lender, provided that Master Tenant shall continue the operation of the Premises for the Healthcare Use.

14.3 Lease Remains in Effect. Except as provided above, this Lease shall not terminate and shall remain in full force and effect in the event of a taking or condemnation of any portion of the Premises, and unless stated otherwise in the provisions of this Lease, Tenant

hereby waives all rights under applicable law to abate, reduce or offset rent by reason of such taking.

15. Provisions on Termination of Term.

15.1 Surrender of Possession. Tenant shall, on or before the last day of the Term, or upon earlier termination of this Lease, (a) surrender to Landlord the Premises (including, subject to all applicable laws, all resident charts and resident records along with appropriate patient and resident consents if necessary and inventories and supplies at normal operating levels) in good condition and repair, ordinary wear and tear excepted (b) upon Landlord's written request, shall to the greatest extent permitted by law, transfer to Landlord or its designees or assigns, the following: (i) all federal, state or municipal licenses, certifications, certificates, approvals, permits, variances, waivers, provider agreements and other authorizations certificates which relate to the operation of the Healthcare business at the Premises, except for the right to the use of Tenant's name; and (ii) the name of the health care facility comprising the Premises as then known to the general public, (c) prepare and file all notices required by applicable law in connection with such termination, and (d) execute the Exit Operations Transfer Agreement attached hereto as Exhibit D (the "Exit Agreement"). If Tenant fails or refuses to transfer any such license, certification, certificate, approval, permit, variance, waiver, provider agreement, other authorization or trade name, then this provision shall constitute an act of assignment by Tenant to Landlord or its assigns without the necessity of any further written instrument. Landlord shall have the option of taking over the operation of the Healthcare Use at the Premises, or to have the operation of the business taken over by a designee, in the event of a termination of this Lease for any reason, without assuming any of Tenant's liabilities or obligations. Landlord shall give Tenant written notice of Landlord's intent to exercise the right

set forth above, in which event, upon the approval of the applicable State agency or agencies of the change of ownership, Tenant shall immediately turn over possession and control of the Healthcare Use at the Premises without any further action having to be taken on the part of Landlord. Further, if an Event of Default occurs hereunder, Tenant hereby appoints Landlord its true and lawful attorney by this instrument and by the limited power of attorney attached to this Lease as Exhibit E, said appointment being coupled with an interest, to execute the Exit Agreement on behalf of Tenant and to execute on behalf of Tenant a letter of consent in a form acceptable to Landlord enabling Landlord or its designee to file applications to operate a nursing home with the applicable State agencies and every other regulatory agency now or hereafter claiming jurisdiction and to operate the healthcare business at the Premises during the pendency of such application. This provision shall be enforceable in a court of law and shall be effective by operation of law.

15.2 Removal of Personal Property. If Tenant is not then in default hereunder, Tenant shall have the right in connection with the surrender of the Premises to remove from the Premises all Tenant Personal Property, except that Tenant shall not remove (a) the Landlord Personal Property (including Landlord Personal Property replaced by Tenant), (b) any Tenant Personal Property subject to a capital lease or financing arrangement as of the Effective Date, as set forth on Schedule 15.2 attached hereto, or (c) any Tenant Personal Property required by the State in which the Premises is located or any other governmental entity to operate the Premises for the purpose set forth in Section 6.3 above ("Governmental Required Property"); provided, however, Landlord shall pay to Tenant the depreciated book value in accordance with GAAP of such Governmental Required Property. In addition, at Landlord's option, Tenant shall remove Tenant Personal Property so designated by Landlord in writing. Any such removal shall be done in a workmanlike manner leaving the Premises in good and presentable condition and

appearance, including repair of any damage caused by such removal. At the end of the Term or upon the earlier termination of this Lease, Tenant shall return (and cause each Subtenant to return) the Premises to Landlord with the Landlord Personal Property (or replacements thereof) together with the other Governmental Required Property in the same condition and utility as was delivered to Tenant at the commencement of the Term, reasonable wear and tear excepted, and transfer to Landlord all Intangible Property except for Tenant's (or Subtenants') accounts receivable (unless this Lease was terminated because of an Event of Default by Tenant, in which event Landlord shall have the right to enforce its security interests in Tenant's, or Subtenants', accounts receivable). Tenant covenants and agrees that it shall not, and shall not allow Subtenant to, sell, move, modify, transfer, assign, sell, relocate, pledge, secure, convey or in any other manner encumber Landlord's Personal Property, any certificate of need or any of the licensed or Medicare and/or Medicaid certified beds at the Premises or any other Intangible Property, or attempt to do same. Tenant acknowledges that it has no interest or rights in any certificate of need issued in connection with the Premises.

15.3 Title to Personal Property Not Removed. Title to any of Tenant Personal Property which is not removed by Tenant upon the expiration of the Term shall, at Landlord's election, vest in Landlord; provided, however, that Landlord may remove and dispose at Tenant's expense of any or all of such Tenant Personal Property which is not so removed by Tenant without obligation or accounting to the Tenant.

15.4 Transition of Premises. Upon the expiration or earlier termination of the Term, Landlord, upon written notice to Tenant, may inform Tenant that the responsibilities and obligations for the management and operation of the Premises shall be transferred to and assumed by a new tenant designated by Landlord, and Tenant agrees to cooperate fully (and

cause each Subtenant to cooperate fully) with Landlord and such new tenant to accomplish the transfer of such management and operation without interrupting the operation of the Premises. Tenant shall not commit (or permit any Subtenant to commit) any act or be remiss in the undertaking of any act that would jeopardize any licensure or certification of the Premises, and Tenant shall comply (and cause each Subtenant to comply) with all requests for an orderly transfer of all licenses used in the operation of the Premises, Medicare and Medicaid (or any successor program) certifications and possession of the Premises at the time of any such surrender to the extent permitted by applicable law. Upon the expiration or earlier termination of the Term, subject to applicable laws, Tenant shall promptly deliver copies of all of Tenant's and Subtenants' books and records relating to the Premises and its operations to Landlord.

16. Notices and Demands. All notices and demands, certificates, requests, consents, approvals, and other similar instruments under this Lease shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to Tenant: Crown Master Landlord, LLC
1035 Powers Place
Alpharetta, GA 30004
Attn: Michael T. Jones
Fax No. (770) 754-3085
Phone: (800) 845-1695

with a simultaneous copy to:

Williams Mullen
222 Central Park Avenue, Suite 1700
Virginia Beach, Virginia 23462
Attn: Lawrence R. Siegel
Fax No: (757) 473-0395
Phone: (757) 473-5321

If to Landlord: Crown Pace Street, LLC, et al.
1035 Powers Place
Alpharetta, GA 30004
Attn: Michael T. Jones
Fax No. (770) 754-3085
Phone: (800) 845-1695

with a simultaneous copy to:

Williams Mullen
222 Central Park Avenue, Suite 1700
Virginia Beach, Virginia 23462
Attn: Lawrence R. Siegel
Fax No: (757) 473-0395
Phone: (757) 473-5321

Such addresses may be changed by notice to the other parties given in the same manner as provided above. Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be given. If Tenant fails at any time to provide to Landlord a current address for notice purposes, notice may be made to any officer, general partner or principal of Tenant.

17. Right of Entry. Landlord and its representatives may enter any portion of the Premises at any reasonable time after reasonable notice to Tenant for the purpose of inspecting the Premises to determine whether the Tenant is in compliance with its obligations to maintain the Premises under Sections 6.1, 6.2 and 6.5; following Tenant's default under this Lease; to exhibit the Premises or portions thereof for sale, lease or mortgage financing; or for posting notices of default, or non-responsibility under any mechanic's or materialman's lien law. Landlord may enter any portion of the Premises at anytime for emergency purposes. Any such entry shall not unreasonably or materially interfere with residents, patients, patient care, or any other of Tenant's operations. During normal business hours and to the extent permitted by

applicable laws, Tenant will permit Landlord and Landlord's representatives, inspectors and consultants to examine and copy such contracts, books and records regarding the Premises as may be necessary to evidence Tenant's compliance with this Lease. Nothing in this section shall be construed to grant Landlord the authority to engage in, including entry upon the Premises to engage in, the management or operation of the applicable Healthcare Use, to review confidential resident records, or to engage in any activity that would directly or indirectly create any responsibility or duty of or by Landlord to any resident of the Premises, it being the express intention of the parties that Tenant be solely responsible for operation of the Premises as the applicable Healthcare Use.

18. Landlord May Grant Liens. Without the consent of Tenant, Landlord may, subject to the terms and conditions set forth below in this Section 18, from time to time, directly or indirectly, create or otherwise cause to exist any lien, mortgage, encumbrance or title retention agreement ("**Encumbrance**") upon the Premises, or any portion thereof or interest therein (including this Lease), whether to secure any borrowing or other means of financing or refinancing or otherwise. Upon the execution of this Lease and upon the request of Landlord from time to time, Tenant shall subordinate this Lease to the lien of a new Encumbrance on the Premises or any portion thereof or interest therein and will, within ten (10) Business Days of any such request, execute a subordination agreement that is in form reasonably acceptable to Landlord and the proposed lender on the condition that the proposed lender agrees not to disturb Tenant's rights under this Lease so long as Tenant is not in default hereunder. Upon request of any such lender, Tenant shall attorn to and acknowledge the foreclosure purchaser or purchasers as Landlord hereunder.

19. **Quiet Enjoyment.** So long as there is no Event of Default by Tenant, Landlord covenants and agrees that Tenant shall peaceably and quietly have, hold and enjoy the Premises for the Term, free of any claim or other action not caused or created by Tenant (excepting, however, intrusion of Tenant's quiet enjoyment occasioned by condemnation or destruction of the property as referred to in Sections 13 and 14 hereof).

20. **Applicable Law.** This Lease shall be governed by and construed in accordance with the internal laws of the State of Georgia without regard to the conflict of laws rules of such State. The remedies available to Landlord on the occurrence of an Event of Default shall, however, be governed by the laws of the State where the applicable portion of the Premises is located.

21. **Intentionally Deleted.**

22. **Hazardous Materials.**

22.1 Hazardous Material Covenants. Tenant's use of the Premises shall comply with all Hazardous Materials Laws. In the event any Environmental Activities occur or are suspected to have occurred in violation of any Hazardous Materials Laws or if Tenant has received any Hazardous Materials Claim against any portion of the Premises relating to activities or omissions committed during the Term, excluding those Environmental Activities directly caused by Landlord or those acting on behalf and at the direction of Landlord, Tenant shall promptly obtain all permits and approvals necessary to remedy any such actual or suspected problem through the removal of Hazardous Materials or otherwise, and upon Landlord's approval of the remediation plan, remedy any such problem to the satisfaction of Landlord and all applicable governmental authorities, in accordance with all Hazardous Materials Laws and good business practices.

22.2 Tenant Notices to Landlord. Tenant shall immediately advise Landlord in writing of:

22.2.1 any Environmental Activities in violation of any Hazardous Materials Laws,

22.2.2 any Hazardous Materials Claims against Tenant or any portion of the Premises relating to activities or omissions committed during the Term,

22.2.3 any remedial action taken by Tenant in response to any Hazardous Materials Claims or any Hazardous Materials on, under or about any portion of the Premises in violation of any Hazardous Materials Laws,

22.2.4 Tenant's discovery of any occurrence or condition on or in the vicinity of any portion of the Premises that materially increases the risk that any portion of the Premises will be exposed to Hazardous Materials, and/or

22.2.5 all communications to or from Tenant, any governmental authority or any other Person relating to Hazardous Materials Laws or Hazardous Materials Claims with respect to any portion of the Premises, including copies thereof.

22.3 Remediation. If (i) Tenant becomes aware of a violation of any Hazardous Material Laws relating to any Hazardous Materials in, on or under the Premises or any adjacent property thereto; (ii) Tenant, Landlord or the Premises becomes subject to any order of any governmental authority or any Hazardous Materials Claims to repair, close, detoxify, decontaminate or otherwise remediate the Premises; or (iii) Tenant's actions, including but not limited to, any renovations or repairs to the Premises, cause the Tenant to remediate any environmental conditions disclosed in the Phase I Environmental Assessments Reports described

on Schedule 22 ("**Phase I Reports**") ("**Existing Environmental Conditions**"), Tenant shall immediately notify Landlord of such event and, at its sole cost and expense with respect to any such Hazardous Materials in, on, under, or about the Premises (but not adjacent thereto unless caused by Tenant), cure such violation or effect such repair, closure, detoxification, decontamination or other remediation. Notwithstanding the foregoing, Tenant shall not be responsible for the remediation of Hazardous Materials on the Premises directly caused by Landlord or those acting on behalf and at the direction of Landlord.

22.4 Indemnity. Tenant shall indemnify, defend, protect, save, hold harmless, and reimburse Landlord and Senior Lender and their respective directors, officers, shareholders, partners, managers, members, affiliates, agents, employees, successors and assigns for, from and against any and all Environmental Costs (whether or not arising out of third-party claims and regardless of whether liability without fault is imposed, or sought to be imposed, on Landlord or Senior Lender) incurred in connection with, arising out of, resulting from or incident to, directly or indirectly (i) the production, use, generation, spilling, depositing, leaching, dumping, storage, treatment, transporting, disposal, discharge, release or other handling or disposition of any Hazardous Materials (collectively, "**Handling**") by Tenant or any Subtenants from, in, on or about the Premises, including the effects of such Handling of any Hazardous Materials on any Person or property within or outside the boundaries of the Premises; (ii) the presence of any Hazardous Materials in, on, under or about the Premises or any adjacent Property; (iii) or the violation of any Hazardous Material Laws (including Hazardous Material Laws); and (iv) the imposition of any lien related to any Environmental Activity. Without limiting the scope or generality of the foregoing, except for any environmental conditions caused or created solely by Landlord, or those acting on Landlord's behalf, Tenant expressly agrees to reimburse Landlord or Senior Lender for any and all costs and expenses incurred by Landlord or Senior Lender:

(A) In investigating any and all matters relating to the Handling of any Hazardous Materials, in, on, from, under or about the Premises;

(B) In bringing the Premises into compliance with all Hazardous Material Laws;

(C) Removing, treating, storing, transporting, cleaning-up and/or disposing of any Hazardous Materials handled in, on, from, under or about the Premises or offsite; and

(D) Subject to the right of Tenant to contest any such claim, if any claim is made hereunder, Tenant agrees to pay such claim promptly, and in any event to pay such claim within thirty (30) calendar days after receipt by Tenant of notice thereof.

22.5 Environmental Inspection. Landlord shall have the right, from time to time, and upon not less than five (5) days written notice to Tenant, except in the case of any emergency in which event no notice shall be required, to conduct an inspection of the Premises to determine the existence or presence of Hazardous Materials on or about the Premises and/or the documentation relative to Hazardous Materials or Environmental Matters in Tenant's possession. Landlord shall have the right to enter and inspect the Premises, conduct any testing, sampling and analyses it deems necessary and shall have the right to inspect materials brought into the Premises. Landlord may, in its discretion, retain such experts to conduct the inspection, perform the tests referred to herein, and to prepare a written report in connection therewith. Provided that Landlord's decision to conduct an environmental inspection is reasonable, or if such inspection detects any Environmental Activities in violation of Hazardous Material Laws, all costs and expenses incurred by Landlord under this Section shall be paid on demand by

Tenant to Landlord. Failure to conduct an environmental inspection or to detect unfavorable conditions if such inspection is conducted shall in no fashion be intended as a release of any liability for environmental conditions subsequently determined to be associated with or to have occurred during Tenant's tenancy. Tenant shall remain liable for any environmental condition related to or having occurred during its tenancy regardless of when such conditions are discovered and regardless of whether or not Landlord conducts an environmental inspection at the termination of the Lease. The obligations set forth in this Article shall survive the expiration or earlier termination of the Lease.

22.6 Remediation Escrow. Notwithstanding any other provision of this Lease, in the event any Hazardous Materials are discovered on, under or about any portion of the Premises in violation of any Hazardous Materials Law and such Hazardous Materials become located on, under or about any portion of the Premises during the Term, and Landlord elects to terminate this Lease, then at Landlord's option, and with the consent of Senior Lender, the Security Deposit shall be retained by Landlord except such portion of the Security Deposit as shall be necessary to pay for the completion of all remedial action or monitoring by Tenant, in accordance with all Hazardous Materials Laws, as approved by Landlord in its reasonable discretion (the "**Remediation Payment**"). Landlord shall provide the Remediation Payment to Tenant within ten (10) Business Days after receipt of a fully signed contract for the performance of such remedial action or monitoring between Tenant and a qualified environmental consultant or contractor, reasonably acceptable to Landlord. In addition, at Landlord's option, the Term may be extended and this Lease shall remain in full force and effect until the completion of all remedial action or monitoring as approved by Landlord, in accordance with all Hazardous Materials Laws. In either event, if the Security Deposit Amount is not sufficient to pay for the required remedial action or monitoring by Tenant, then within ten (10) days after receipt of

written notice from Landlord, Tenant shall deposit additional cash with Landlord or deliver to Landlord a Qualifying Letter of Credit in an amount sufficient to pay for all costs of any remedial action or monitoring as required by all Hazardous Materials Laws (the “**Remediation Escrow**”). Landlord shall make funds available from the Remediation Escrow to reimburse Tenant for its costs in performing the remedial action or monitoring as required by all Hazardous Materials Laws. The provisions of this **Section 22.6** shall survive the termination of this Lease.

22.7 Participation in Hazardous Materials Claims. Landlord shall have the right, at Landlord’s sole cost and expense (including, without limitation Landlord’s reasonable attorney’s fees and costs), with counsel chosen by Landlord, to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims.

23. Assignment and Subletting.

23.1 With the exception of the Multi-State Master Sublease and the Sub-Subeases, Tenant shall not, without the prior written consent of Landlord, which consent shall be within the sole discretion of the Landlord, assign this Lease or any interest herein or sublet the Premises or any part thereof (an “**Assignment**”). For the purposes of this Lease, the following shall be considered an Assignment of this Lease by Tenant: (a) any management or similar agreement relating to the operation and/or control of the Premises; **provided, however,** the parties acknowledge and agree that Tenant intends to enter into the management agreement with an Affiliate of Tenant, as permitted pursuant to the terms of **Section 40** of this Lease, (b) any change (voluntary or involuntary, by operation of law or otherwise), directly or indirectly, in the Persons which ultimately exert effective Control over the management of the affairs of Tenant or any Subtenant as of the date hereof and (c) any assignment or sublease to any unrelated third party

operator. Any of the foregoing acts without such consent shall be void and shall, at the option of Landlord in its sole discretion, constitute an Event of Default giving rise to Landlord's right, among other things, to terminate this Lease. Notwithstanding the foregoing prohibition on changes in Control of the Tenant or any Subtenant, the following transfers shall be permitted, with at least thirty (30) days prior written notice to Landlord: (i) any transfer or assignment of interest made to an immediate family member for estate planning purposes, or (ii) any transfers of interest among the Tenant's Principals or their Affiliates, provided, that, at the time of such transfer pursuant to this subsection (ii), and for the remainder of the Term, the Tenant and Subtenant shall be Controlled by one or more of Tenant's Principals. Without limiting the foregoing, this Lease shall not, nor shall any interest of Tenant herein, be assigned or encumbered by operation of law without the prior written consent of Landlord, which may be withheld at Landlord's sole discretion. Except with respect to Subtenants and as qualified in Section 3.2(f) herein, Tenant shall not sublet the Premises on any basis such that the rental to be paid by the sublessee thereunder would be based, in whole or in part, on either the income or profits derived by the business activities of the sublessee, or any other formula, such that any portion of the sublease rental received by Landlord would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the U.S. Internal Revenue Code, or any similar or successor provision thereto.

23.2 For the purpose of this Lease the transfer, assignment, sale, hypothecation or other disposition of any stock or membership interests of Tenant or any Subtenant or any agreement which results in either (a) a change in the Person(s) which ultimately (directly or indirectly, voluntary or involuntary, by operation of law or otherwise) exerts effective Control over the management of the affairs of Tenant or any Subtenant as of the Effective Date, or (b) the transfer of more than fifty percent (50%) in the aggregate of the stock or membership

interests of Tenant or any Subtenant in a single transaction or series of transactions, shall be deemed to be an Assignment of this Lease.

23.3 Landlord acknowledges that Tenant or Subtenants have entered into a management agreement or agreements with Manager for the Premises. Tenant hereby agrees that it shall require that the Manager agree in writing that the Manager's right to receive compensation shall be subordinate to the right of Landlord to receive Minimum Rent and other payments required under this Lease, in accordance with Section 40. Tenant may not amend or modify any such management agreements without Landlord's prior written consent.

23.4 Upon any transfer or assignment of this Lease, Landlord, Tenant and the new tenant or assignee (as the case may be) will enter into assignment and assumption agreements in form and content satisfactory to the parties including the granting of security interests that are provided to Landlord under this Lease.

23.5 Tenant represents and warrants that it has provided to Landlord an organizational structure chart of Tenant and all Subtenants showing the ownership of Tenant and Subtenants and each Person that ultimately exerts effective Control over the management of the affairs of Tenant and Subtenants as of the date of this Lease. Tenant shall provide to Landlord a revised organizational structure chart at least three (3) Business Days before any changes in any of the Persons who ultimately exert effective Control over the management of the affairs of Tenant and Subtenants depicted on such chart are to become effective.

24. Indemnification. In addition to the other indemnities contained herein, to the fullest extent permitted by law, Tenant agrees to protect, indemnify, defend and save harmless Landlord, their respective directors, officers, shareholders, partners, members, manager, agents,

affiliates, employees, successors and assigns from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from any suits, claims or demands regardless of the merits of any such alleged suit, claim or demand, on account of any matter or thing, action or failure to act arising out of or in connection with this Lease (including, without limitation, the breach by Tenant of any of its obligations hereunder), the Premises, or the operations of Tenant or any Subtenant on any portion of the Premises, including, without limitation, all Environmental Activities on any portion of the Premises unless caused solely by the gross negligence or willful misconduct of Landlord, Senior Lender or their respective directors, officers, shareholders, partners, members, manager, agents, affiliates, employees, successors and assigns. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Landlord believes is covered by this indemnity, Landlord shall give Tenant notice of the matter. Tenant shall defend Landlord against all matters covered by this indemnity at Tenant's sole cost and expense (including, without limitation, attorneys' fees and costs) with legal counsel satisfactory to Landlord in their reasonable discretion. Landlord may elect to defend the matter with its own counsel at Tenant's expense. Notwithstanding anything to the contrary in this Lease, Tenant shall not be required to indemnify Landlord pursuant to this Section 24 to the extent that the subject claim occurred prior to the commencement of the term of this Lease or after the date Tenant vacates and surrenders possession of the Premises to Landlord following expiration or early termination of the Term of this Lease.

25. Holding Over. If Tenant shall for any reason remain in possession of any portion of the Premises after the expiration or earlier termination of this Lease, such possession shall be a month-to-month tenancy during which time Tenant shall pay as rental each month, one and a half

(1.5) times the aggregate of the monthly Minimum Rent payable with respect to the last Lease Year plus Percentage Rent allocable to the month, all additional charges accruing during the month and all other sums, if any, payable by Tenant pursuant to the provisions of this Lease with respect to the Premises. Nothing contained herein shall constitute the consent, express or implied, of Landlord to the holding over of Tenant after the expiration or earlier termination of this Lease, nor shall anything contained herein be deemed to limit Landlord's remedies pursuant to this Lease or otherwise available to Landlord at law or in equity.

26. **Estoppel Certificates.** Tenant shall, upon not less than ten (10) Business Days prior written request by Landlord, execute, acknowledge and deliver to Landlord or its designee a statement in writing, executed by an officer, manager or general partner of Tenant, certifying that this Lease is unmodified and in full force and effect (or, if there have been any modifications, that this Lease is in full force and effect as modified, and setting forth such modifications), the dates to which Minimum Rent, Percentage Rent and additional charges hereunder have been paid, certifying that, to the best of Tenant's knowledge, no default by either Landlord or Tenant exists hereunder or specifying each such default and as to other matters as Landlord may reasonably request.

27. **Conveyance by Landlord.** If Landlord or any successor owner of the Premises shall convey all or any portion of the Premises in accordance with the terms hereof, Landlord or such successor owner shall thereupon be released from all future liabilities and obligations of Landlord under this Lease arising or accruing from and after the date of such conveyance or other transfer as to all or such portion of the Premises and all such future liabilities and obligations shall be expressly assumed and be binding upon the new owner.

28. Waiver of Jury Trial. Landlord and Tenant hereby waive any rights to trial by jury in any action, proceedings or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with this Lease, including, without limitation, the relationship of Landlord and Tenant, Tenant's use and occupancy of the Premises, or any claim of injury or damage relating to the foregoing or the enforcement of any remedy hereunder.

29. Attorneys' Fees. If Landlord or Tenant brings any action to interpret or enforce this Lease, or for damages for any alleged breach hereof, the prevailing party in any such action shall be entitled to reasonable attorneys' fees and costs as awarded by the court in addition to all other recovery, damages and costs.

30. Severability. In the event any part or provision of the Lease shall be determined to be invalid or unenforceable, the remaining portion of this Lease shall nevertheless continue in full force and effect.

31. Counterparts. This Lease may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

32. Binding Effect. Subject to the provisions of Section 23 above, this Lease shall be binding upon and inure to the benefit of Landlord and Tenant and their respective heirs, personal representatives, successors in interest and assigns.

33. Memorandum of Lease. Landlord and Tenant shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the State(s) in which the Premises are located in which reference to this Lease shall

be made. The party requesting such recordation shall pay all costs and expenses of preparing and recording such memorandum of this Lease.

34. Incorporation of Recitals and Attachments. The Recitals and Exhibits, Schedules, addenda and other attachments to this Lease are hereby incorporated into this Lease and made a part hereof.

35. Titles and Headings. The titles and headings of sections of this Lease are intended for convenience only and shall not in any way affect the meaning or construction of any provision of this Lease.

36. Usury Savings Clause. Nothing contained in this Lease shall be deemed or construed to constitute an extension of credit by Landlord to Tenant. Notwithstanding the foregoing, in the event any payment made to Landlord hereunder is deemed to violate any applicable laws regarding usury, the portion of any payment deemed to be usurious shall be held by Landlord to pay the future obligations of Tenant as such obligations arise and, in the event Tenant discharges and performs all obligations hereunder, such funds will be reimbursed to Tenant upon the expiration of the Term. No interest shall be paid on any such funds held by Landlord.

37. Joint and Several. If more than one Person or entity is the Tenant hereunder, the liability and obligations of such Persons or entities under this Lease shall be joint and several.

38. Survival of Representations, Warranties and Covenants. All of the obligations (accruing prior to the date of expiration or earlier termination of this Lease), representations, warranties and covenants of Tenant under this Lease shall survive the expiration or earlier termination of the Term, for a period of three (3) years, including, without limitation, Tenant's

obligations to pay rent and other sums under this Lease following the occurrence of an Event of Default and the termination of this Lease pursuant to Section 11.2.6 or 11.2.7 above.

39. Interpretation. Both Landlord and Tenant have been represented by counsel and this Lease has been freely and fairly negotiated. Consequently, all provisions of this Lease shall be interpreted according to their fair meaning and shall not be strictly construed against any party.

40. Management Fees. Tenant and/or Subtenants have entered into nine (9) management agreements with Manager to operate the Premises, pursuant to which Tenant and/or Subtenants shall pay the Management Fee to Manager. The Management Fee shall be subordinate to Minimum Rent and to all other payments required under this Lease except Percentage Rent. Tenant shall cause Manager and Subtenant to enter into a Subordination Agreement reasonably acceptable to Landlord and Senior Lender, if applicable. During the Term, neither Tenant nor any Subtenant may change the Manager or engage a new Manager to manage the Premises, or amend, modify, supplement or replace any management agreement without Landlord's prior written consent, which will not be unreasonably withheld; provided, however, Landlord may withhold consent to any proposed change to any provision requiring the subordination of payment of the Management Fee to the payment of Minimum Rent and to all other payments required under this Lease except Percentage Rent.

41. Related Party Goods and Services. Tenant agrees that if it or any of its Affiliates provide services or goods to the Tenant or the Premises that such services or goods will be provided at rates no higher than and upon terms at least as favorable to the Tenant and/or Premises as would be obtainable in an arms-length transaction. Tenant shall not enter into any

agreements for services with any of its Affiliates without the prior written consent of Landlord, other than those related party agreements as set forth on Schedule 41 attached hereto.

42. Ancillary Contracts. Tenant agrees not to enter into any contracts or agreements with providers of ancillary healthcare services, including without limitation, therapy, hospice, home health pharmacy or medical supply agreements, without providing Landlord and its Affiliates at least thirty (30) days prior written notice and an equal opportunity to submit a bid for providing such ancillary healthcare services.

43. Relationship of Parties. Nothing contained in this Lease shall be deemed to create a partnership or joint venture or any form of agency relationship between Landlord and Tenant. Landlord and Tenant's relationship in this Lease shall be deemed to be one of landlord and tenant only, and neither party shall have the right or authority to hold out any party to this Lease as a partner, joint venturer, principal or agent of the other. Tenant shall not acquire any direct or indirect equity interest in Landlord or in any lender or financing arrangement from or in which Landlord, or any of its Affiliates, is a borrower.

44. Termination of Lease. Intentionally Deleted.

45. Securitization. In the event Landlord elects to securitize any loan secured by the Premises, Tenant agrees to cooperate with Landlord and provide information and execute documents that Landlord may reasonably request, provided that Tenant does not incur any additional liability as a result of such request and Tenant does not incur any expense.

46. Special Purpose Entity Covenants. At all times during the term of the Lease, Tenant shall adhere to the following covenants: (a) Tenant shall preserve and keep in full force and effect its existence as a single purpose entity formed solely for the purpose of entering into

this Lease with Landlord; (b) Tenant shall not change its organizational structure without prior written consent of Landlord and Senior Lender; (c) Tenant shall maintain its separateness as an entity, including maintaining separate books, records, and accounts and observing corporate and partnership formalities independent of any other entity; and (d) Tenant shall pay its obligations with its own funds and shall not commingle funds or assets with those of any other entity form. In addition, Tenant shall cause all Subtenants and operators of the Premises to abide by similar covenants and to include those covenants in the organizational documents of the Tenant, all Subtenants and operators of the Premises.

47. Lender Approval. Tenant acknowledges that this Lease is subject to Senior Lender's approval. Tenant agrees to execute any amendment to this Lease required by the Senior Lender provided that such modifications do not negatively impact or expand Tenant's obligations under this Lease.

48. Limitation of Landlord's Liabilities. If Landlord defaults in the performance of any of its obligations, Tenant agrees to look solely to Landlord's interest in the Premises for the satisfaction of any judgment obtained by Tenant as the result of any default, and Tenant shall not seek any personal money judgment against Landlord or any of its officers, directors, stockholders, members, managers or partners.

49. True Lease. This Lease is intended as, and shall constitute, an agreement of lease, and nothing herein shall be construed as conveying to the Tenant any right, title or interest in or to the Premises or to any remainder or reversionary estates in the Premises held by any Person, except, in each instance, as a tenant. Under no circumstances shall this Lease be regarded as an assignment of all of Landlord's interest in and to the Premises; instead Landlord and Tenant shall have the relationship between them of landlord and tenant, pursuant to the

provisions of this Lease. In no event shall Tenant or any affiliate of Tenant claim depreciation, amortization or interest deductions as owner of the Premises for United States federal, state or local income tax purposes (except as to alterations not financed by Landlord).

50. **HUD Financing.** At all times during the Term, Tenant and Manager shall (and Tenant shall cause Subtenant to) reasonably cooperate with Landlord to enable Landlord to obtain HUD insured financing for the Properties; provided, however, Landlord shall reimburse Tenant and Subtenant for all reasonable expenses incurred by Tenant and Subtenant in complying with this provision. In connection with any such HUD financing, Tenant and Manager shall (and Tenant cause Subtenant to) enter into such agreements, instruments, certificates and other documents reasonably required in connection with such financings, including, without limitation, a HUD Regulatory Agreement for each such Property; a HUD Addendum to this Lease requiring Tenant and Subtenant to comply with all legal and regulatory requirements related to such financings; and modifications to this Lease (including, if required by HUD, splitting this Lease into separate leases on the same terms and conditions as contained in this Lease, subject to prorating the financial obligations in each such separate lease) and will thereafter remain in substantial compliance with all statutes, rules, regulations and laws relating to such financings.

51. **REIT Event.** From and after a REIT Event Notification Date: (a) Tenant shall, and shall cause its Affiliates, including Subtenants, to take all commercially reasonable actions requested by Landlord that in Landlord's reasonable judgment will be recommended for compliance with the requirements for maintaining REIT status; and (b) Tenant shall not, and shall cause its Affiliates not to, acquire any equity interest in Landlord or any of Landlord's Affiliates if such acquisition would result in Tenant and/or any of Tenant's Affiliates owning,

directly or indirectly, a ten percent (10%) or greater interest in Landlord or any of Landlord's Affiliates within the meaning of Section 856(d)(2)(B) of the Code. Subject to the provisions set forth in Section 3.2(f) above, upon the occurrence of a REIT Event, any and all references to Percentage Rent in this Lease shall no longer apply.

52. Landlord Financial Information. To the extent reasonably necessary to complete and file Medicare and Medicaid cost reports, and for no other purpose whatsoever, Landlord agrees to provide to Tenant any pertinent information and supporting documentation related to its debt and equity affecting the Premises, including the applicable terms of any loan agreement and any loan payment information.

53. Entire Agreement; Modification; Waiver. This Lease and the Exhibits and Schedules to this Lease constitute the entire agreement between Landlord and Tenant pertaining to the subject matter contained in this Lease and supersede all prior agreements, representations and understandings of the parties. No supplement, modification or amendment of this Lease shall be binding unless expressed as such and executed in writing by Landlord and Tenant. Except as set forth herein, no waiver of any provision of this Lease shall constitute a continuing waiver. No waiver shall be binding unless expressed as such in a document executed by the party making the waiver.

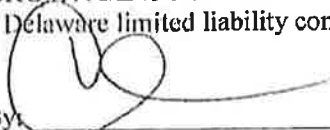
[SIGNATURE PAGES FOLLOW]

[Signature page to Multi-State Master Lease & Security Agreement (non-MI)]

Executed as of the date indicated above.

TENANT

CROWN MASTER LANDLORD, LLC
a Delaware limited liability company

By: 
Christina K. Firth
President

LANDLORD

CROWN PACE STREET, LLC
a Tennessee limited liability company
CROWN SEQUOYAH ROAD, LLC
a Tennessee limited liability company
CROWN SIXTY-SIXTH STREET, LLC
a Florida limited liability company
CROWN TENTH AVENUE, LLC
a Florida limited liability company
CROWN BRADDOCK ROAD, LLC
a Virginia limited liability company
CROWN WALDEN ROAD, LLC
a Virginia limited liability company
CROWN ACADEMY ROAD, LLC
a Maryland limited liability company


By: 
Christina K. Firth
President

EXHIBIT A

Description and Location of Property

Raintree Manor	415 Pace Street, McMinnville, Warren County, Tennessee
Soddy Daisy Health Care	701 Sequoyah Road, Soddy Daisy, Hamilton County, Tennessee
Jacaranda Manor	4250 66 th Street, St. Petersburg, Pinellas County, Florida
Frederick Villa Nursing Center	711 Academy Road, Catonsville, Baltimore County, Maryland
Leewood Healthcare Center	7120 Braddock Road, Annandale, Fairfax County, Virginia
Grace Healthcare of Abingdon	600 Walden Road, Abingdon, Washington County, Virginia
Royal Palm Convalescent Center	2180 10 th Avenue, Vero Beach, Indian River County, Florida

EXHIBIT B

Legal Description of Property

Raintree Manor:

All that certain lot, piece of land, with the buildings and improvements thereon erected, situate, lying and being in the City of McMinnville, County of Warren, State of Tennessee, as more particularly described as follows:

BEGINNING on an iron pin in the north margin of Pace Street, (40' right-of-way), said pin being the southeast corner of the property now or formerly belonging to Minton (Deed Book 231, page 965 and Deed Book 156, Page 541); thence leaving said Pace Street and with Minton N 06 deg. 54' E 506.81' to an iron pin; thence N 81 deg. 32' W 169.40' to a stone at the northwest end of a 44' unopened street, being the northeast corner of Community Rolling Acres Church (Deed Book 186, Page 1055); thence with the north line of Community Rolling Acres Church N 82 deg. 47' W 50.48' to a fence corner, being the southeast corner of Julian (Deed Book 236, Page 460); thence with the east line of Julian N 27 deg. 23' E 494.43' to an iron pin, being a corner of Hutchins (Deed Book 279, Page 384); thence with Hutchins S 84 deg. 28' E 203.83' to a steel post; thence S 07 deg. 50' W 474.65' to a steel post in the north line of Powers (Deed Book 245, Page 450 and Deed Book 233, page 795); thence with Powers N 82 deg. 04' W 49.00' to an iron pin; thence S 06 deg. 57' W 511.55' to an iron pin in the north margin of Pace Street; thence with Pace Street N 79 deg. 57' W 100.06' to the beginning.

Together with and subject to the terms and conditions of that certain Declaration of Parking Easement and Reaffirmation of Access Easement recorded in Book ____, Page ____, Register's Office of Warren County, Tennessee.

Soddy Daisy Health Care:

All that certain lot, piece of land, with the buildings and improvements thereon erected, situate, lying and being in the City of Soddy Daisy, County of Hamilton, State of Tennessee, as more particularly described as follows:

Being a portion of the old W. W. Norman property located in the City of Soddy-Daisy, Hamilton County, Tennessee as shown by Tennessee Valley Authority drawings SNPRR-35 of Project 45101 and being further described as follows:

Beginning at a concrete Tennessee Valley Authority property marker Northeast of the Lovell Road Cul-de-sac at Station 138+50 as shown by plans #101E3r3, said monument being located S78°11'45"E, a distance of 1,255.60 feet from CHAM 5 of the Hamilton County GPS system with a published position of X=2214378.36 Y328513.21 and Z=872.45;

Thence with the north right-of-way of the Sequoyah Access Road N10°40'53"E, a distance of 75.06 feet to a 5/8" rebar with a cap;

Thence with the north right-of-way of the Sequoyah Access Road N76°43'23"W, a distance of 225.86 feet to a 5/8" rebar with a cap;

Thence with the north right-of-way of the Sequoyah Access Road S15°50'47"W, a distance of 74.75 feet to a concrete Tennessee Valley Authority property marker;

Thence with the north right-of-way of the Sequoyah Access Road around a curve to the right through a central angle of 04°37'49", an arc distance of 215.35 feet, a radius of 2664.79 feet and a chord bearing of N71°35'12"W with a distance of 215.29 feet to a 5/8" rebar with a cap;

Thence with the north right-of-way of Sequoyah Access Road around a curve to the right through a central angle of 02°45'18", an arc distance of 59.26 feet, a radius of 1232.40 feet and a chord bearing of N67°53'38"W with a distance of 59.25 feet to a 5/8" rebar with a cap;

Thence with the north right-of-way of Sequoyah Access Road S23°12'54"W, a distance of 25.00 feet to a 5/8" rebar with a cap;

Thence with the north right-of-way of Sequoyah Access Road around a curve to the right through a central angle of 41°08'06", an arc distance of 902.74 feet, a radius of 1257.40 feet and a chord bearing of N46°24'33"W with a distance of 883.47 feet to a 1/2" rebar with a cap;

Thence S71°48'08"E, a distance of 303.66 feet to a 1/2" rebar.

Thence S74°37'35"E, a distance of 346.39 feet to a 5/8" rebar with a cap;

Thence S73°46'28"E, a distance of 168.54 feet to a 1/2" rebar;

Thence S75°31'29"E, a distance of 369.00 feet to a 5/8" rebar with a cap;

Thence S75°06'45"E, a distance of 581.11 feet to a 1/2" rebar;

Thence with the northwest right-of-way of Lovell Road S47°39'10"W, a distance of 66.84 feet to a 5/8" rebar with a cap;

Thence with the northwest right-of-way of Lovell Road S57°44'44"W, a distance of 260.41 feet to a rebar with a cap;

Thence with the northwest right-of-way of Lovell Road S76°37'50"West, a distance of 306.65 feet to the POINT OF BEGINNING and containing 496.725 square feet or 11.40 acres, more or less.

TOGETHER WITH a slope easement from Peek for the grantees herein to construct and maintain a slope and being described as follows:

Beginning at a point on the North line of the above described parcel and being located from the northwest corner thereof S71°48'08"E a distance of 303.66 feet along the north line of the above described parcel;

Thence S74°37'35"E a distance of 156.83 feet along the north line of the above described parcel to the POINT OF BEGINNING at the southwest corner of the herein described slope easement;

Thence N15°25'37"E a distance of 15.00 feet to a point;

Thence S74°37'35"E a distance of 200.00 feet to a point;

Thence S15°25'37"W, a distance of 15.00 feet to a point on the north line of the above described parcel;

Thence with the north line of the above described parcel N73°46'28"W, a distance of 10.44 feet to a 5/8" rebar with a cap;

Thence with the north line of the above described parcel N74°37'35"W, a distance of 189.56 feet to the POINT OF BEGINNING.

Jacaranda Manor:

All that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the County of Pinellas, State of Florida, as more particularly described as follows:

The South 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4, LESS AND EXCEPT right-of-way for Joe's Creek and road right of way, in Section 6, Township 31 South, Range 16 East, lying and being in Pinellas County, Florida; ALSO LESS AND EXCEPT the South 150 feet for right-of-way to Pinellas County as described in Quit-Claim Deed recorded in Deed Book 1345, Page 587, Public Records of Pinellas County, Florida; ALSO LESS AND EXCEPT that part conveyed to State of Florida described in Deed recorded in Official Records Book 2003, Page 26, Public Records of Pinellas County, Florida.

Also described as follows:

The South 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4 of Section 6, Township 31 South, Range 16 East, Pinellas County, Florida, LESS AND EXCEPT right-of-way for Joe's Creek and the South 150 feet for right-of-way purposes to Pinellas County described in Quit-Claim Deed recorded in Deed Book 1345, Page 587, Public Records of Pinellas County, Florida, ALSO LESS AND EXCEPT road right-of-way and that part conveyed to State of Florida described in Deed recorded in Official Records Book 2003, Page 26, Public Records of Pinellas County, Florida.

And further described as follows:

A portion of the South 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4 of Section 6, Township 31 South, Range 16 East, lying and being in Pinellas County, Florida being more particularly described as follows:

Commence at the East 1/4 corner of said Section 6; thence South (assumed bearing) along the East line of the Southeast 1/4 of said Section 6, a distance of 992.09 feet; thence South 89°40'11" West, a distance of 50.00 feet to a point on the West right-of-way line of 66th Street North and the POINT OF BEGINNING; thence South along said West right-of-way line, a distance of 179.88 feet to a point on the North right-of-way line of Joe's Creek (a 150 foot drainage right-of-way as described in Deed Book 1345, Page 587 of the Public Records of Pinellas County, Florida); thence South 89°37'09" West, along said North right-of-way line, a distance of 617.94

feet to a point on the West boundary of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4 of said Section 6; thence North 00°01'02" West, along said West boundary, a distance of 180.43 feet; thence North 89°40'11" East, along the North line of the South 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4, a distance of 617.99 feet to the POINT OF BEGINNING.

Frederick Villa Nursing Center:

All that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the City of Baltimore, County of Baltimore, State of Maryland, as more particularly described as follows:

Beginning for the same at a point on the fifth and southeasternmost property line of a deed from Road, Inc. to Isaac Goldman and Jack Tucker, Co-partners, trading as Frederick Nursing Center, said point being at a distance of 507.45 feet from the beginning of the fifth or South 29 degrees 09' 55" West 899.45 feet line at the point of division between a 1.7 acre tract fronting on Old Frederick Road and the remainder of the entire parcel being described herein, thence continuing on the said last mentioned line:

- (1) South 29 degrees 09' 29" West 391.91 feet to an iron pipe previously set, thence;
- (2) North 60 degrees 50' 06" West 252.40 feet to an iron pipe, previously set, thence;
- (3) South 10 degrees 47' 42" West 257.50 feet to a point on the northeast side of a highway widening strip of Academy Road (formerly Nunnery Lane) as described and indicated in the Land Records of Baltimore County in Liber 5535, folio 447 on Baltimore County Acquisition Drawing No. 75-088-1, which point is 3.54 feet from the end of the deed line in Liber O.T.G. 5366, Folio 42; thence binding along the northeast side of Academy Road;
- (4) By a line curving to the left with a radius of 2,030.02 feet and an arc length of 68.66 feet and a chord bearing and distance of North 46 degrees 42' 29" West 68.66 feet;
- (5) North 08 degrees 24' 06" East 521.92 feet to a point; thence;
- (6) South 88 degrees 40' 27" East 81.05 feet to an iron pipe previously set, thence;
- (7) South 88 degrees 40' 27" East 98.02 feet to an iron pipe found at the end of the third or last South 60 degrees 41' 43" West 105.55 foot line of that parcel of land which by deed dated December 29, 1964 and recorded among said Land Records in Liber R.R.G. 4408, Folio 259 was granted and conveyed by Linwood P. Anderson and Helen N. Anderson, his wife, to Robert G. Morris and Myrtle Irma Morris, his wife, thence binding reversely along all of the said third line;
- (8) North 60 degrees 41' 42" East 56.16 feet to the southernmost corner of the 1.7 acre tract thence with the line of division of the last mentioned parcel and reversely along that line;

(9) South 60 degrees 50' 10" East 235.09 feet to the place of beginning.

Containing 153,555 Square Feet or 3.525 acres of land, more or less.

Leewood Healthcare Center:

All that certain lot, piece or parcel of land, with the building and improvements thereon erected, situate, lying and being in the County of Fairfax, Commonwealth of Virginia, as more particularly described as follows:

Lot Ten-A (10-A), of a Resubdivision at Lots Ten (10) and Eleven (11), FIRST ADDITION TO LEEWOOD, as shown on a plat of dedication recorded in Deed Book 2668 at page 326, among the land records of Fairfax County, Virginia, and being more particularly described by metes & bounds description as follows:

BEGINNING at a point in the northerly right-of-way line of Braddock Road (Route 620), width varies and in the easterly line of part of Lot 12, the Land of Childrens Achievement Center, Inc.; thence with the line of part of Lot 12, N 01° 13' 15" W 377.98 feet to a point, said point being in the southerly line of Wilburdale Subdivision, Section 3; thence with the southerly line of Section 3 and continuing with Section 2, Wilburdale Subdivision, N 77° 26' 30" E 458.96 feet to a point, said point being in the southerly line of Lot 61, Wilburdale Subdivision, Section 2 and the northwesterly corner of part of Lot 9, the Land of Leewood Investment and Associates LLC; thence with the westerly line of part of Lot 9, S 01° 13' 15" E 467.48 feet to a point, said point being in the aforementioned northerly right-of-way of Braddock Road; thence with the northerly right-of-way of Braddock Road, S 88° 41' 15" W 450.00 feet to the point of beginning and containing 4.3670 acres of land, more or less.

Grace Healthcare of Abingdon:

All that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the County of Washington, Commonwealth of Virginia, more particularly described as:

BEGINNING at an iron pipe found, common corner with Lot 10 Replat No. 2 of Greystone Heights Subdivision and on the northern R.O.W. line of Gray Drive N E thence leaving said R.O.W. line with said lot 10 N 17 degrees 23' 00" E 196.92 feet to an iron pin found in an old fence line common corner Lot 10 and property of Glenrochie Development Corporation, thence continuing with said Glenrochie Development Corporation the following calls and distances:

N 19 degrees 57' 00" E 112.00 feet to an iron pin set, thence N 84 degrees 36' 47" E 351.56 feet (passing a reference iron pin at 341.56') to a point in the creek, thence S 09 degrees 33' 00" E 121.40 feet to an iron pin set on Creek Bank, thence N 87 degrees 23' 48" E 26.75 feet to an iron pin found at fence post common corner with Washington County School Board Property, thence with said county school board line S 41 degrees 20' 36" E 43.32 feet to an iron pin set on the western R.O.W. line of Walden Road, State Rt. 699, thence with said western R.O.W. line the following calls and distances:

S 38 degrees 33' 00" W 182.43 feet to an iron pin set, thence S 17 degrees 34' 51" W 142 10 feet to a point passing through a Ref. IPS at 121.85, thence on a curve to the right having a radius of 25.49 feet, an arc length of 16.15' and a chord of S 88 degrees 18' 48" W 15.88 feet to a P.K. nail set in a parking lot said P.K. nail being on the Northern R.O.W. line of Gray Drive; thence with said northern R.O.W. line of Gray Drive, N 73 degrees 32' 25" W 365.00 feet to the point of beginning containing 3.42 acres, more or less, and being located in the Town of Abingdon Virginia and the Harrison Magisterial District of Washington County, Virginia.

Royal Palm Convalescent Center:

All that certain lot, piece of land, with the buildings and improvements thereon erected, situate, lying and being in the County of Indian River, State of Florida, as more particularly described as follows:

All of the West 355 feet of Lot 13, of Plat of H.T. Gifford Estate, according to the plat filed in the Office of the Clerk of Circuit Court of St. Lucie County, Florida, in Plat Book 1, page 13, which lies South of 22nd Place, as same is designated on Plat of Linwood Subdivision, as same appears on Plat of said subdivision recorded in Plat Book 2, page 79, Indian River County, Florida records, plus the North 1/2 of abandoned 20' alley abutting South boundary line of property described immediately above pursuant to Resolution No. 84-19, of the City of Vero Beach dated July 17, 1984, recorded in Official Records Book 690, page 455, Public Records of Indian River County, Florida.

Being also described by metes and bounds description according to a survey prepared by Milton R. Gill, Reg. No. 5455, American Surveying Inc., MKA Project No. 4601-10-1946, dated April 29, 2010 as last revised on September 24, 2010, as follows:

Begin at the Southwest corner of said Lot 13; thence North 00°38'37" West, along the West boundary of said Lot 13, a distance of 313.46 feet to a point on the South right-of-way line of 22nd Place, as same is designated on Plat of Linwood Subdivision, as same appears on Plat of said subdivision recorded in Plat Book 2, page 79, Indian River County, Florida; thence North 89°08'15" East, along said south right-of-way line, a distance of 14.98 feet to the point of curve of a non tangent curve to the right, of which the radius point lies South 19°05'14" East, a radial distance of 686.78 feet; thence easterly along the arc, through a central angle of 23°38'28", a distance of 283.38 feet, having a chord of 281.37 feet which bears North 82°44'01" East; thence South 85°22'27" East, a distance of 20.03 feet to the point of curve of a non tangent curve to the left, of which the radius point lies North 04°30'18" East, a radial distance of 985.37 feet; thence easterly along the arc, through a central angle of 02°22'32", a distance of 40.85 feet, having a chord of 40.85 feet which bears South 86°40'58" East to a point on the East line of the West 355 feet of said Lot 13; thence South 00°37'38" East, along said East line of the West 355 feet of said Lot 13, a distance of 342.57 feet to a point on the South line of said Lot 13; thence South 89°33'35" West along the South line of said Lot 13, a distance of 45.50 feet; thence South 00°26'25" East, a distance of 10.00 feet to a point on the South line of the North 1/2 aforesaid abandoned 20' alley; thence South 89°33'35" West along the South line of the North 1/2 of said abandoned 20' alley, a distance of 169.90 feet; thence North 00°26'25" West, a distance of 10.00 feet to a point on the South line of said Lot 13; thence South 89°33'35" West, along said South line a distance of 139.67 feet to the POINT OF BEGINNING.

EXHIBIT C

Permitted Exceptions

Raintree Manor:

1. Real Estate Taxes for 2011 and subsequent years, not yet due and payable.
2. Easements of record in Book 236, Page 497, Book 255, Page 397 and Book 279, Page 384, in the Warren County Register's Office.
3. Restrictions of record in Book 224, Page 171 and Book 224, Page 913, in the aforesaid Register's Office.
4. Ingress/Egress easement of record in Book 262, Page 344, in the aforesaid Register's Office.
5. Easements and incidental rights in that portion of the Land described in Exhibit A underlying public roads.
6. Easements as contained in Deed Book 236, Page 535, in the aforesaid Register's Office.
7. Easements as contained in Deed Book 240, Page 807, in the aforesaid Register's Office.
8. Easements as contained in Deed Book 243, Page 273, in the aforesaid Register's Office.
9. ALTA/ACSM Land Title Survey dated May 20, 2005, prepared by Tom B. Thaxton, RLS 105, last revised December 21, 2010, discloses the following:
 - A. Parking lot encroaches over Easterly property line.
 - B. Rights of public and private to overhead wires, and any utility poles, on or crossing over the property.
 - C. Rights public and private to gas, water and telephone lines running through the property.
 - D. Building encroaches onto setback line along Northerly property line.
10. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
11. All rights of residents, as residents only under unrecorded leases.
12. Declaration of Parking Easement and Re-Affirmation of Access Easement dated to be effective January ____, 2011, recorded in Book ____, Page ____, aforesaid records.

Soddy Daisy Health Care:

1. Real Estate taxes for 2011 and subsequent years, not yet due and payable.

2. Easement of record in Book 4743, Page 693, in the aforesaid Register's Office.
3. Land Title Survey prepared by Nicholas Cole Phipps, Tenn. Reg. No. 2470, Betts Engineering Associates, Inc., Drawing No. 11844-1-207, dated December 7, 2010, last revised January 3, 2011, describes the following:
 - A. Rights public and private to overhead wires and utility poles on or crossing over the property.
 - B. Rights public and private to gas lines running through the property.
 - C. Sewer lines extend onto right of way of Sequoyah Access Road.
 - D. Heavy duty Plastic Pipe extends out of Northerly property line.
 - E. Shed abuts 5 foot setback line in Northerly portion of premises.
 - F. Sign and landscaping located outside Southerly property line.
4. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
5. All rights of residents, as residents only under unrecorded leases.

Jacaranda Manor:

1. Real Estate Taxes for 2011 and subsequent years, not yet due and payable.
2. Rights of upper and lower owners in and to the use of the waters of Joe's Creek and to uninterrupted flow thereof.
3. Easement in favor of Pinellas County, a political subdivision of the State of Florida, as set forth in Drainage Easement recorded in Official Records Book 3229, Page 85.
4. Easement in favor of Florida Power Corporation, a Florida corporation, and its successors and assigns, as set forth in Easement recorded in Official Records Book 3160, Page 453.
5. Easement in favor of South Cross Bayou Sanitary District, a special taxing district of the County of Pinellas, State of Florida, as set forth in South Cross Bayou Sanitary District Sewer Easement recorded in Official Records Book 1396, Page 48.
6. Easement in favor of Pinellas County, a political subdivision, as set forth in Quit-Claim Deed recorded in Deed Book 1345, Page 587.
7. Lease by and between Jacaranda Property Investment, LLC, a Florida limited liability company and St. Petersburg Nursing Home, LLC, a Florida limited liability company, dated February 3, 2005 as evidenced and subordinated by Subordination and Attornment Agreement recorded in Official Records Book 14123, Page 1036.
8. Drainage Easement in favor of Sixty-Sixth St., LLC, a Florida limited liability company recorded May 11, 2006 in Official Records Book 15110, Page 2358.

9. Any rights, easements, interests or claims which may exist by reason of, or reflected by, the following facts shown on the survey prepared by Martin R. Gill under the supervision of International Land Services, Inc., dated December 27, 2004, last revised January 21, 2005, being Job No. 04-12-019:001:
 - A. Encroachment of two story masonry building into 25 foot drainage easement recorded in Deed Book 1345, Page 587.
 - B. Encroachment of fence along the North boundary thereof.
 - C. Encroachment of chain link fence, concrete, concrete sidewalk and fence into 10 foot Electric Easement recorded in Official Records Book 3160, Page 453.
10. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
11. All rights of residents, as residents only under unrecorded leases.

Frederick Villa Nursing Center:

1. Real Estate Taxes for 2011 and subsequent years, not yet due and payable.
2. Deed and Agreement recorded in the Baltimore County Land Records in Liber 5202 at Folio 399.
3. Deed and Agreement recorded in the Baltimore County Land Records in Liber 5406 at Folio 592.
4. Easement Agreement recorded in the Baltimore County Land Records in Liber 5652 at Folio 304.
5. Declaration of Easements as recorded in Baltimore County Land Records in Liber 13948 at Folio 386.
6. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
7. All rights of residents, as residents only under unrecorded leases.
8. Survey prepared by Joseph C. Thompson of Thompson & Associates, LLC, Project/Job Number 3601, dated 12/03/10, last revised 12/22/10, discloses the following:
 - A. Curbing and Driveway extend onto right of way of Academy Road.
 - B. Adjoiner's wood deck/fence encroaches over Easterly property line.
 - C. Gravel area encroaches over Easterly property line.
 - D. Parking area extends over Northerly property line.
 - E. Discrepancy on measurement of Northerly property line.
 - F. Apparent gap along the Easterly property line

Leewood Healthcare Center:

1. Real Estate Taxes for 2011 and subsequent years, not yet due and payable.
2. Terms, provisions, restrictions, conditions, easements, liens, assessments, developer rights, options, rights of first refusal and reservations contained in instrument recorded in Deed Book A-13, Page 35.
3. Easement granted to Virginia Electric and Power Company recorded in Deed Book 720, Page 370, Deed Book 1484, Page 16, Deed Book 2057, Page 640, Deed Book 2737, Page 730, Deed Book 2748, Page 120 and Deed Book 4192, Page 237.
4. Easements granted to Fairfax County Water Authority recorded in Deed Book 4134, Page 732 and Deed Book 5133, Page 668.
5. Driveway Easement recorded in Deed Book 4300, Page 228.
6. Easements recorded in Deed Book 4063, Page 351, Deed Book 4092, Page 538, Deed Book 5243, Page 255, Deed Book 2822, Page 269 & Deed Book 4580, Page 770. (No Plat or description with instrument).
7. Utility Easement recorded in Deed Book 4185 Page 111.
8. Deed of Dedication recorded in Deed Book 2668, Page 326.
9. Subject to all conditions, matters and setback lines as set forth on Plat recorded in Deed Book 2668, Page 326.
10. Easement granted to American Telephone and Telegraph Company of Virginia in Deed Book H-8, Page 179 and Deed Book H-8, Page 547.
11. Easement granted to Virginia Public Service Company recorded in Deed Book F-12, Page 543 and Deed Book P-12, Page 310.
12. Survey prepared by Paul Swartz, License No. 2701, of Bowman Consulting, Ltd. Project/Job Number 6422-01-001, dated 03/16/10, discloses the following:
 - A. Curbing and driveway extend onto right of way of Braddock Road.
 - B. Curb, gutter and pavement encroach over Westerly property line.
 - C. Concrete ditch extends out of Northerly property line.
13. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
14. All rights of residents, as residents only under unrecorded leases.

Grace Healthcare of Abingdon:

1. Taxes for 2011 and subsequent years, not yet due and payable.
2. Easement granted from J. T. Woodward and Martha Woodward, his wife to Appalachian Electric Power Co. by instrument dated February 13, 1951 recorded in Deed Book 254, Page 11.
3. Easement by instrument dated July 3, 1959 recorded in Deed Book 327, Page 270.
4. Easement granted from Pauline Mitchell and E. C. Mitchell, her husband and Lyle Woodward and Martha L. Woodward, his wife to Washington County Sanitary District No. 1 by instrument dated July 29, 1965 recorded in Deed Book 403, Page 642.
5. Easement granted from Dale McCray, single to Appalachian Power Company by instrument dated June 7, 1996 recorded in/as Deed Book 415, Page 459.
6. Easement granted from Glenrochie Development Corporation, Inc. to Appalachian Power Company by instrument dated November 6, 1975 recorded in Deed Book 543, Page 7.
7. Easement granted from Glenrochie Development Corporation, Inc. to Town of Abingdon by instrument dated March 6, 1997 recorded in Deed Book 968, Page 37.
8. Easement granted from Glenrochie Development Corporation, Inc. and Abingdon Investments & Associates, LLC to Town of Abingdon by instrument dated March 30, 2005 recorded in/as Instrument No. 050003764.
9. Subject to rights, public and private, together with flooding and drainage rights, if any, in and to all streams, rivers or water courses crossing, bounding or affecting the premises.
10. Encroachment of the parking lot on the adjacent northern property and a small encroachment of the parking lot into the boundaries of Walden Road (State Route 699) and Gray Drive.
11. Survey prepared by Cross Land Surveying & Planning, Project/Job Number MTAVA-062532G, dated 11/12/10, last revised December 10, 2010, discloses the following:
 - A. Building encroaches onto 20 foot setback line located along the Easterly property line.
 - B. Building encroaches onto 10 foot setback line located along the Northerly property line.
 - C. Sign located outside Easterly property line.
 - D. Typical curbing extend beyond Easterly property line.
 - E. Asphalt and parking spaces encroach outside Southerly property line.
 - F. Asphalt and parking spaces encroach outside Northerly property line.
 - G. Rights of others to utility crossing the property.
12. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.

13. All rights of residents, as residents only under unrecorded leases.

Royal Palm Convalescent Center:

1. Real Estate Taxes for 2011 and subsequent years, not yet due and payable.
2. Easement to the City of Vero Beach filed in Deed Book 51, Page 90, Public Records of Indian River County, Florida.
3. Subordination of Easement and Covenant Not to Sue filed in Official Records Book 238, Page 83, Public Records of Indian River County, Florida.
4. Easement as contained in the Deeds filed in Official Records Book 82, Page 364, Official Records Book 194, Page 40, Official Records Book 194, Page 44, and Official Records Book 209, Page 443, Public Records of Indian River County, Florida.
5. Survey prepared by Milton R. Gill, Project/Job Number 4601-10-1946, dated 04/29/10, last revised 09/24/2010, discloses the following:
 - A. Mislocation of fences;
 - B. Building encroaches over 25 foot setback line;
 - C. Curbing and driveway extend onto 10th Avenue;
 - D. Parking Island extends out of southerly property line;
 - E. Abandoned Alley in southerly portion of premises;
6. All subdivision, zoning and other government regulations, ordinances and acts related to the subject property and the transfer thereof.
7. All rights of residents, as residents only under unrecorded leases.

EXHIBIT D

Form of Exit Operations Transfer Agreement

EXHIBIT D

EXIT OPERATIONS TRANSFER AGREEMENT

THIS EXIT OPERATIONS TRANSFER AGREEMENT ("Agreement") is made and entered into as of the _____ day of _____, 20____, by and between _____, a _____ limited liability company ("**Transferor**") and _____, a _____ ("**New Operator**").

IN THE EVENT THAT TENANT IS NOT THE LICENSED OPERATOR, TENANT SHALL CAUSE THE LICENSED OPERATOR TO ENTER INTO THIS AGREEMENT AS THE TRANSFEROR.

RECITALS

A. Transferor is the licensed operator of a ____-bed residential care facility ("**RCF**") commonly known as _____ and located at _____, _____ ("**Facility**"), which Facility, together with certain other facilities, is leased pursuant to the terms of a Master Sublease and Security Agreement dated as of January ____, 2011 (the "**Prior Lease**"), between CROWN MASTER LANDLORD, LLC, a Delaware limited liability company ("**Owner**"), as lessor, and Transferor, as lessee.

B. New Operator and Owner [If Owner takes over the operations of the RCF, Owner would take New Operator's position in this agreement] entered into a new Lease with respect to the Facility ("**New Lease**") to be effective on and as of _____ ("**Takeover Date**"), assuming the satisfaction of the condition precedent set forth in Section 23 below (the "**Condition Precedent**"). Assuming satisfaction of such Condition Precedent, effective on and as of _____, 11:59 p.m. E.S.T. ("**Effective Date**"), Transferor and Owner will terminate all of Transferor's right, title and interest under the Prior Lease.

C. In order to facilitate an orderly transfer of Facility operations and financial responsibility from Transferor to New Operator, Transferor and New Operator desire to document certain terms and conditions relevant to the transfer of operational and financial responsibility for the Facility.

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein, and intending to be legally bound hereby, New Operator and Transferor hereby agree as follows.

AGREEMENT

1. Surrender. Immediately following the Effective Date, Transferor shall surrender to New Operator possession of the Facility (including all resident charts and records along with appropriate resident consents, if required under applicable law) in AS IS, WHERE IS condition.

Exhibit F

To Amended and Restated Master Lease and Security Agreement

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2. Surrender of Owner's Personal Property; Conveyance of Inventory and Prepaid Expenses; and Excluded Assets.

2.1 Transferor acknowledges that Owner owns all right, title and interest in and to all of the furniture, machinery, equipment, appliances, fixtures and other personal property used in connection with the Facility ("**Owner's Personal Property**") excluding only (i) the Inventory (defined below); (ii) the personal property of the residents, (iii) the personal property owned by vendors and leased to Owner; and (iv) all of the Tenant's Personal Property (as that term is defined in the Prior Lease). On and as of the Effective Date, Transferor shall surrender directly to New Operator together with possession of the Facility all of Owner's Personal Property and all consumable inventories of every kind and nature whatsoever (specifically including, but not limited to, all pharmacy supplies, medical supplies, office supplies, other supplies and foodstuffs) owned by Transferor as of the Effective Date and located at the Facility (the "**Inventory**"). Transferor shall have no obligation to deliver the Inventory to any location other than the Facility, it being understood and agreed that the presence of the Inventory at the Facility on the Effective Date shall constitute delivery thereof. New Operator shall pay any sales or use tax which may be payable with respect to the transfer of the Inventory to New Operator.

2.2 For and in partial consideration of the Transfer Consideration (defined below), immediately following the Effective Date, Transferor shall sell, transfer and convey to New Operator all personal property located on the Facility not constituting Owner's Personal Property that is required to be located at such Facility for the operation of the Facility as an RCF by any governmental authority having jurisdiction over the Facility ("**Government Required Property**"). The Government Required Property is described in Schedule 2.2.

2.3 For and in partial consideration of the Transfer Consideration, immediately following the Effective Date, Transferor shall sell, transfer and convey to New Operator all of Transferor's right, title and interest in and to any prepaid expenses with respect to the Facility as of the Effective Date (the "**Prepaid Expenses**").

2.4 Transferor shall execute a Bill of Sale in form and substance reasonably acceptable to Transferor and New Operator that confirms the conveyance of any Government Required Property.

2.5 Notwithstanding anything to the contrary contained herein, Transferor shall not sell, transfer or convey to New Operator any of Transferor's right, title and interest in and to the (i) technical systems, methods, policies, processes, procedures and controls, and the information and materials compiled or prepared in connection therewith or (ii) the trade or service names, associated marks and other intellectual property, including without limitation the name "_____", used by Transferor in connection with the marketing and/or operation of the Facility (collectively, the "**Intangible Property**").

2.6 Notwithstanding anything to the contrary contained herein, Transferor shall not sell, transfer or convey to New Operator any of Transferor's right, title and interest in

and to the assets described in Schedule 2.6 (hereinafter, the Intangible Property and the assets described in Schedule 2.6 may be collectively referred to as the "**Excluded Assets**").

3. Transfer Consideration.

3.1 The total consideration ("**Transfer Consideration**") to be paid to Transferor by New Operator for the Government Required Property and the Prepaid Expenses (collectively, the "**Transferred Assets**") shall be an amount equal to: (A) the net book value of the Transferred Assets in accordance with GAAP as of the Effective Date and as set forth on the Closing Schedule attached hereto as Exhibit A (the "**Closing Schedule**") less (B) the amount of accrued and unpaid liabilities, if any, of Transferor to be assumed by New Operator as of the Effective Date (the "**Liabilities**"). The unpaid trade accounts payable as of the Effective Date will be paid by Transferor in accordance with Section 7. The Closing Schedule sets forth in reasonable detail Transferor's best estimate of the amount of the Liabilities and the net book value of the Transferred Assets.

3.2 From and after the Effective Date, Transferor shall allow New Operator to have reasonable access to (upon reasonable prior notice and during normal business hours) and/or copies of (at New Operator's own cost and expense) the books and records and supporting material of the Facility relating to the Transferred Assets and the Liabilities, to the extent reasonably necessary to enable New Operator to verify the Transferred Assets and the Liabilities. The Closing Schedule shall be deemed to be accepted by New Operator and shall be final and binding for all purposes of this Agreement unless New Operator, within thirty (30) days following the Effective Date, gives notice to Transferor stating the items as to which New Operator takes exception ("**Objections**"). If an Objection is disputed by Transferor, then the parties shall negotiate in good faith to resolve such dispute. If after a period of thirty (30) days following the date on which New Operator delivered the Objections, any Objection still remains disputed, then Transferor or New Operator shall together choose an independent, impartial firm of public accountants of nationally recognized standing to resolve such remaining Objections. The accounting firm shall act as an arbitrator and shall have the power and authority to determine those issues still in dispute. The accounting firm shall use the following standards in the evaluation of any Objection regarding a Transferred Asset: (i) existence, and presence at or proper attribution to the Facility, of the Transferred Asset; (ii) proper recording on the books of the appropriate entity of the Transferred Asset; (iii) appropriate method and useful life used in depreciating the Transferred Asset; and (iv) appropriate classification of the Transferred Asset in one of the classifications included in the definition of "Transferred Asset." The determination of the accounting firm shall be final and binding. The fees and expenses of the accounting firm shall be paid equally by Transferor and New Operator.

Within ten (10) days following resolution of all Objections, (i) if the Transfer Consideration is an amount greater than zero, then New Operator shall pay the amount of the excess to Transferor, by wire transfer or certified check or (ii) if the Transfer Consideration is an amount less than zero, then Transferor shall pay amount of the deficiency to New Operator, by wire transfer or certified check.

4. Resident Property.

4.1 (a) Concurrent with the execution and delivery of this Agreement and subject to adjustment within thirty (30) days following the date hereof, Transferor is providing New Operator with an accounting of all funds belonging to patients at the Facility which are held by Transferor in a custodial capacity pertaining to patients at the Facility (collectively, the "**Funds**"). Such accounting sets forth the names of the patients for whom such Funds are held and the amounts held on behalf of each patient, correct and complete as of the date hereof.

(b) Concurrent with the execution and delivery of this Agreement and subject to adjustment within thirty (30) days following the date hereof, Transferor is transferring the Funds to a bank account designated by New Operator and New Operator hereby acknowledges receipt of and expressly assumes all of Transferor's financial and custodial obligations arising subsequent to the Effective Date with respect thereto, it being the intent and purpose of this provision that, as of the date hereof, Transferor is relieved of all fiduciary and custodial obligations with respect to such funds and that New Operator hereby assumes all such post-Effective Date obligations and is directly accountable to the patients with respect thereto.

(c) Notwithstanding the foregoing, Transferor agrees to indemnify and hold New Operator harmless from all liabilities, claims, and demands, in the event the amount of such Funds, if any, transferred to New Operator's bank account does not represent the full amount due to the Residents (as defined in the next sentence) as of the date hereof. "**Residents**" shall mean all residents and patients of the Facility to whom Transferor owes fiduciary or custodial obligations prior to closing. If the amount of such Funds represents the full amount due to the Residents, New Operator shall hold Transferor harmless from all liabilities, claims and demands related to or made in connection with such Funds.

(d) New Operator hereby assumes custody of all trust accounts for Patients transferred by Transferor to New Operator and agrees to treat such accounts in the fiduciary capacity required by law. New Operator agrees to indemnify and hold Transferor harmless from all liabilities, claims, and demands that may be asserted against Transferor in connection with New Operator's treatment of such accounts from and after the date hereof.

4.2 On the Effective Date, Transferor shall prepare and deliver to New Operator a true, correct and complete accounting of any and all security deposits held by Transferor for patients or residents of the Facility as of the Effective Date (collectively, the "**Security Deposits**"). Transferor hereby agrees to transfer to New Operator the Security Deposits, and New Operator hereby agrees that it will accept such Security Deposits and be accountable to the patients/residents for such Security Deposits actually received by Transferor in accordance with the terms of the resident agreements with such residents and applicable statutory and regulatory requirements. New Operator shall have no responsibility, however, to any patient or resident for any Security Deposits not actually delivered by Transferor to New Operator including, without limitation, if it is demonstrated that such Security Deposits are less than the full amount of the Security Deposits for any resident as of the Effective Date, for any inaccuracies in the accounting provided by Transferor, or for claims which arise from the actions or omissions of Transferor with respect to the Security Deposits.

5. Employees.

5.1 On or before the Effective Date, Transferor shall have delivered to New Operator a schedule which reflects the following for the Facility: (i) the names of all of Transferor's employees and (ii) such employees' positions and rates of pay.

5.2 On the Effective Date, New Operator shall have the obligation to offer to employ substantially all of Transferor's employees that work at the Facility. Transferor shall assist New Operator in its efforts to employ any of Transferor's employees. On the Effective Date, Transferor shall terminate the employment of all employees at the Facility. New Operator agrees to cooperate with Transferor to provide information concerning which employees, if any, are being offered and are accepting employment by New Operator (collectively, the "**Retained Employees**").

5.3 Transferor shall remain liable for all Employee Liabilities (as defined below) relating to all employees on or prior to the Effective Date, including without limitation (i) payroll through the Effective Date, which will be paid by Transferor on or before the Effective Date and (ii) any Employee Liabilities relating to the termination of any employees on the Effective Date. To the extent that any employee is allowed to convert all earned and accrued vacation, holiday or sick pay to cash upon termination of employment, Transferor shall pay to New Operator all earned and accrued vacation, holiday or sick pay as of the Effective Date of all Retained Employees on or before the Effective Date. New Operator shall be responsible for all Employee Liabilities relating to the Retained Employees that arise or accrue after the Effective Date. For the purposes of this Agreement, "**Employee Liabilities**" shall mean all wages, salaries, commissions, earned and accrued vacation, holiday or sick pay, severance pay (if any), any contributions required or costs associated with any employee welfare benefit plan as defined by Section 3(1) of ERISA, any contributions required or costs associated with any employee pension benefit plan as defined by Section 3(2) of ERISA, any contributions required or costs associated with any non-qualified employee benefit plan, federal, state and/or local payroll taxes, unemployment insurance costs, any contributions required or costs associated with workers' compensation liabilities, and any claims made by any employee arising out of or connected with his or her employment or the termination thereof.

5.4 Transferor shall offer and provide, as appropriate, group health plan continuation coverage pursuant to the requirements of Section 601, et seq. of ERISA and Section 4980B of the Internal Revenue Code ("**COBRA**") to all of the employees of the Facility to whom it is required to offer the same under applicable law up through and including the Effective Date. New Operator agrees to cooperate with Transferor in providing information concerning the Retained Employees, if any, after the Effective Date, and the nature of the benefits offered to each such employee. As of the Effective Date, all Retained Employees shall be eligible for participation in a group health plan (as defined for purposes of Internal Revenue Code Section 4980B) established and maintained by New Operator for the general benefit of its employees and their dependents in accordance with the terms and conditions of New Operator's policy.

6. Accounts Receivable.

6.1 Transferor shall retain its right, title and interest in and to all unpaid trade accounts receivable with respect to the Facility that relate to the period up through and including the Effective Date. Within twenty (20) days after the Effective Date, Transferor shall provide New Operator with a schedule setting forth by Resident its outstanding trade accounts receivable as of the Effective Date.

6.2 Payments received by New Operator or Transferor after the Effective Date from third party payors and private pay residents shall be handled as follows:

6.2.1 If such payments either specifically indicate on the accompanying remittance advice, or if the parties agree, that they relate to the period on or prior to the Effective Date, they shall be forwarded to Transferor, along with the applicable remittance advice, in accordance with the provisions of Section 6.2.4 below.

6.2.2 If such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to the period after the Effective Date, they shall be retained by New Operator.

6.2.3 If such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods for which both parties are entitled to reimbursement under the terms hereof, the portion thereof which relates to the period after the Effective Date shall be retained by New Operator and the balance shall be remitted to Transferor in accordance with the provisions of Section 6.2.4 below.

6.2.4 If such payments do not indicate on the accompanying remittance advice the period to which such payments relate (and the parties cannot otherwise determine whether such payments apply to the period before or after the Effective Date), any such payments received during the first sixty (60) days after the Effective Date shall be deemed to relate to the period before the Effective Date and any such payments received after such sixty (60) day period shall be deemed to relate to the period after the Effective Date.

6.2.5 All amounts owing to Transferor under this Section 6.2 shall be settled within ten (10) days after receipt of such payment.

6.3 In the event the parties mutually determine that any third party payors or private pay residents are entitled to a refund of payments, the portion thereof that relates to the period after the Effective Date shall be paid by New Operator and the portion thereof that relates to the period on or prior to the Effective Date shall be paid by Transferor to such third party payor or private pay resident.

6.4 In the event the parties mutually determine that any payment hereunder was misapplied by the parties, the party which erroneously received said payment shall remit the same to the other within fifteen (15) business days after said determination is made.

6.5 For the six (6) month period following the Effective Date or until Transferor receives payment of all accounts receivable attributed to the operation of the Facility

prior to the Effective Date, whichever is sooner, New Operator shall provide Transferor with an accounting by the fifteenth (15th) day of each month setting forth all amounts received by New Operator during the preceding month with respect to the accounts receivable of Transferor which are set forth in the schedule provided by Transferor pursuant to Section 6.1. New Operator shall deliver such accounting to the address for notices for Transferor set forth in Section 14 below. Transferor shall have the right to inspect all cash receipts of New Operator during weekday business hours in order to confirm New Operator's compliance with the obligations imposed on it under this Section 6.

7. Prorations; Liabilities.

7.1 As between New Operator and Transferor, revenues and expenses, utility charges for the billing period in which the Effective Date occurs, real and personal property taxes, insurance premiums, liabilities under the Assumed Contracts (as defined in Section 9 below), vendor payables for the billing period in which the Effective Date occurs, prepaid expenses, entrance fees and other related items of revenue or expense attributable to the Facility shall be prorated between Transferor and New Operator as of the Effective Date. In general, such prorations shall be made so that as between New Operator and Transferor, Transferor shall be reimbursed for prepaid expense items to the extent that the same are attributable to the periods after the Effective Date and Transferor shall be charged for unpaid expenses to the extent that the same are attributable to periods on or prior to the Effective Date. The intent of this provision shall be implemented by New Operator remitting to Transferor any invoices that describe goods or services provided to or expenses incurred by the Facility on or prior to the Effective Date and by New Operator assuming responsibility for the payment of any invoices that describe goods or services provided to or expenses incurred by the Facility after the Effective Date.

7.2 All such prorations shall be made on the basis of actual days elapsed in the relevant accounting or revenue period and shall be based on the most recent information available to Transferor. Utility charges that are not metered and read on the Effective Date shall be estimated based on prior charges, and shall be re-prorated upon receipt of statements therefor.

7.3 All amounts owing from one party hereto to the other party hereto that require adjustment after the Effective Date shall be settled within thirty (30) days after the Effective Date or, in the event the information necessary for such adjustment is not available within said thirty (30) day period, then as soon thereafter as practicable.

8. Access to Records. Subsequent to the date hereof, New Operator shall allow Transferor and its affiliates, agents, and representatives, at Transferor's sole cost and expense, to have reasonable access to (upon reasonable prior notice), and to make copies of, the books and records and supporting material of the Facility relating to the period on or prior to the Effective Date that were transferred to New Operator by Transferor ("**Transferred Records**"), to the extent reasonably necessary to enable Transferor to investigate and defend malpractice, employee or other claims, to file or defend cost reports and tax returns, to verify accounts receivable collections due Transferor, and to perform similar matters. New Operator will maintain the Transferred Records, to the extent required by law, but in no event less than seven (7) years with respect to patient records, and no less than six (6) years with respect to other records. Without limiting the generality of the foregoing sentence, New Operator will use

commercially reasonable efforts to obtain from any purchaser or lessee of the Facility a contractual obligation to comply with the obligations set forth in this Section 8, which contract shall name Transferor as a third party beneficiary. Subsequent to the date hereof, Transferor shall allow New Operator and its affiliates, agents, and representatives, at the applicable parties' sole cost and expense, to have reasonable access to (upon reasonable prior notice), and to make copies of, any books and records and supporting material of the Facility retained by Transferor ("**Transferor's Retained Records**"), for any reason. Transferor will maintain Transferor's Retained Records to the extent required by law, but in no event less than seven (7) years with respect to patient records, and no less than six (6) years with respect to other records.

9. **Contracts.** Immediately following the Effective Date, Transferor does hereby agree to assign, and New Operator does hereby agree to assume and be bound by all of the terms and conditions of, Transferor's interest and obligations under the resident agreements, operating contracts and equipment financing agreements identified in Schedule 9 hereto (Schedule 9 to be mutually agreed upon by Transferor and New Operator) (collectively, the "**Assumed Contracts**"). Transferor will cooperate with New Operator in obtaining any required consent, waiver or approval in connection with the assignment to and assumption by New Operator of Transferor's interests under the Assumed Contracts. Nothing herein shall be construed as imposing any liability on New Operator with respect to any obligations under Assumed Contracts which relate to the period on or prior to the Effective Date even if the same are not payable until after the Effective Date, it being specifically understood and agreed that New Operator's liability shall be limited to its acts and omissions thereunder after the Effective Date.

10. **Representations and Warranties.** As applicable, each of New Operator and Transferor represents and warrants as follows:

10.1 New Operator has all necessary power and authority to enter into this Agreement and to execute all documents and instruments referred to herein or contemplated hereby and to consummate the transactions provided for herein and all necessary action has been taken to authorize the individuals executing this Agreement to do so. This Agreement has been duly and validly executed and delivered by New Operator and is enforceable against New Operator in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy laws and general principals of equity.

10.2 Transferor hereby represents and warrants that Transferor has all necessary power and authority to enter into this Agreement and to execute all documents and instruments referred to herein or contemplated hereby and to consummate the transactions provided for herein and all necessary action has been taken to authorize the individuals executing this Agreement to do so. This Agreement has been duly and validly executed and delivered by Transferor and is enforceable against Transferor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy laws and general principals of equity. Transferor is not in default under any of the Assumed Contracts.

11. **Indemnification.**

11.1 Transferor hereby indemnifies and agrees to defend and hold harmless New Operator and its directors, officers, employees, agents, successors and assigns from and

against any and all demands, claims, causes of action, fines, penalties, damages (including consequential damages), losses, liabilities (including strict liability), judgments, and expenses (including, without limitation, reasonable attorneys' and other professionals' fees and court costs) incurred in connection with or arising from: (i) a breach by Transferor of its representations, warranties and obligations under this Agreement, (ii) the acts or omissions of Transferor under the Assumed Contracts on or prior to the Effective Date, (iii) the occupancy or operation of the Facility on or prior to the Effective Date, (iv) any acts, omissions or negligence of Transferor or any person claiming under Transferor, or the contractors, agents, employees, invitees or visitors of Transferor with respect to the Facility on or prior to the Effective Date or (v) any failure by Transferor to pay any liabilities in connection with the Facility attributable to periods on or before the Effective Date.

11.2 New Operator hereby indemnifies and agrees to defend and hold harmless Transferor and its directors, officers, employees, agents, successors and assigns from and against any and all demands, claims, causes of action, fines, penalties, damages (including consequential damages), losses, liabilities (including strict liability), judgments, and expenses (including, without limitation, reasonable attorneys' and other professionals' fees and court costs) incurred in connection with or arising from: (i) a breach by New Operator of its representations, warranties and obligations under this Agreement, (ii) the acts or omissions of New Operator under the Assumed Contracts after the Effective Date, (iii) the occupancy or operation of the Facility after the Effective Date, (iv) any acts, omissions or negligence of New Operator or any person claiming under New Operator, or the contractors, agents, employees, invitees or visitors of New Operator with respect to the Facility after the Effective Date or (v) any failure by New Operator to pay any liabilities in connection with the Facility attributable to periods after the Effective Date.

11.3 Neither Transferor nor New Operator shall be responsible for lost profits or consequential damages; provided, however, Medicaid and Medicare recipient payments relating to periods prior to the date hereof and realized through adjustments in Medicare and Medicaid reimbursement rates shall not be deemed lost profits or consequential damages.

11.4 If and to the extent any liabilities for which indemnification is sought by Transferor are related to events or circumstances occurring both prior to and after the date hereof or are from both a cause that is indemnified and one that is not so indemnified, New Operator's obligations hereunder shall extend only to liabilities attributable to events or circumstances subsequent to the date hereof or to the indemnified event, circumstance or cause.

11.5 If and to the extent any liabilities for which indemnification is sought by New Operator are related to events or circumstances occurring both prior to and after the date hereof or are from both a cause that is indemnified and one that is not so indemnified, the Transferor's obligations hereunder shall only extend to liabilities attributable to events or circumstances prior to the date hereof or the indemnified event, circumstance or cause.

11.6 Claims by either party under this Section 11 must be brought within eighteen (18) months of the Effective Date.

11.7 The foregoing indemnification obligations shall survive this Agreement for a period of eighteen (18) months. All matters arising from an indemnified party's negligence, gross negligence or willful misconduct are excluded from the scope of the indemnification of such party set forth in Sections 11.1 and 11.2.

12. Transfer of Licenses.

12.1 New Operator shall use its commercially reasonable best efforts to obtain all necessary licenses and certifications to operate the Facility as a RCF as soon as is reasonably practicable.

12.2 Transferor agrees to use commercially reasonable efforts to accomplish the transfer of such management and operation of the Facility upon the Takeover Date assuming prior execution of the New Lease and New Operator obtaining a permission to occupy from the _____ (the "**Licensing Agency**"), without materially interrupting the business or operation of the Facility.

13. Further Assurances. Each of the parties hereto agrees to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other party to perfect or evidence their rights hereunder.

14. Notices and Demands. All notices and demands, requests, consents, approvals, and other similar communications under this Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

To Transferor:

Attention: _____
Phone: _____
Facsimile: _____

To New Operator:

Attention: _____
Phone: _____
Facsimile: _____

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be

given. Any party hereto may designate a different address for itself by notice to the other party in accordance with this Section 14.

15. Payment of Expenses. Each party hereto shall bear its own legal, accounting and other expenses incurred in connection with the preparation and negotiation of this Agreement and the consummation of the transaction contemplated hereby, whether or not the transaction is consummated.

16. Entire Agreement; Amendment; Waiver. This Agreement, together with the other agreements referred to herein, constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements. This Agreement may not be modified or amended except in writing signed by the parties hereto. No waiver of any term, provision or condition of this Agreement in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition of this Agreement. No failure to act shall be construed as a waiver of any term, provision, condition or rights granted hereunder.

17. Assignment. Neither this Agreement nor the rights, duties or obligations arising hereunder shall be assignable or delegable by Transferor or New Operator without the prior written consent of the other party, which may be granted, denied or conditioned in such party's reasonable discretion. Subject to the foregoing, this Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of Transferor and New Operator.

18. Joint Venture; Third Party Beneficiaries. Nothing contained herein shall be construed as forming a joint venture or partnership between the parties hereto with respect to the subject matter hereof. The parties hereto do not intend that any third party shall have any rights under this Agreement.

19. Announcements. The parties hereto acknowledge and agree that any communications to the employees of the Facility regarding the terms of this Agreement and the transactions contemplated hereunder shall be mutually acceptable to the parties hereto unless required to be made pursuant to court order or law.

20. Captions. The section headings contained herein are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

21. Counterparts. This Agreement may be executed and delivered via facsimile and in one or more counterparts and all such counterparts taken together shall constitute a single original agreement.

22. Governing Law. This Agreement shall be governed in accordance with the laws of the State in which the Facility is located without regard to the conflict of rules of such State.

23. Condition Precedent. The occurrence of the Effective Date and the Takeover Date is expressly conditioned upon satisfaction of the following on and as of each of such dates: New Operator shall have obtained from the Licensing Agency any and all, new or transferred, licenses, permits and/or certificates necessary to use and operate the Facility as a RCF or otherwise confirmed the Licensing Agency's approval of the change in ownership of the Facility.

24. Termination. If the Condition Precedent set forth in Section 23 shall have not been satisfied as of the Effective Date or the Takeover Date, then such dates shall be postponed until such Condition Precedent is satisfied; provided, however, that if the Effective Date and Takeover Date shall not have occurred on or before _____, 20__, then either party may by written notice to the other terminate this Agreement, in which event neither party shall have any further duty or obligation to the other hereunder.

IN WITNESS WHEREOF, the parties hereby execute this Agreement as of the day and year first set forth above.

"Transferor"

"New Operator"

_____, a
_____, limited liability company

_____,
a _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A
TO EXIT OPERATIONS TRANSFER AGREEMENT

CLOSING SCHEDULE

(See Attached)

SCHEDULE 2.2
TO EXIT OPERATIONS TRANSFER AGREEMENT
GOVERNMENT REQUIRED PROPERTY

SCHEDULE 2.6
TO EXIT OPERATIONS TRANSFER AGREEMENT

EXCLUDED ASSETS

- All bank accounts, cash, cash equivalents, securities, and accounts receivable (including receivables from Government Program, private payors and other third party settlements), prepaid accounts, workers compensation retros and dividends, real estate and insurance escrows and inter-company accounts, and other cash balances;
- All deposits (security or otherwise), escrowed funds and similar funds, regardless of form;
- All claims, disputes and litigation, and all amounts of any nature or description relating thereto, to the extent such dispute, claim or litigation is related to the period prior to the Closing Date and would constitute an asset if resolved in a manner favorable to Transferor;
- Amounts of any nature which are or might be due to Transferor for goods provided, services rendered, or any other transaction of any type prior to the Closing Date;
- Refunds, rebates, and dividends paid in respect of workers compensation or other insurance premiums paid by Transferor prior to the Closing Date, and refunds and additional recoveries by or payments to Transferor from any person for services, provision of goods or supplies, or any other transactions prior to the Closing Date;
- Inventory disposed of in the ordinary course of business prior to the Closing Date;
- Transferor's business and financial records located at or used in connection with the operation or management of the Facility including, but not limited to, any Patient Records that Transferor is not required by any applicable law, rule or regulation to retain at the Facility and Transferor's business and financial records located at Transferor's primary corporate headquarters;
- Any contracts other than the Assumed Contracts;
- The rights of Transferor under any insurance policy applicable to the Facility for events and circumstances arising or existing, as the case may be, prior to the Closing Date;
- Patient records not required to be maintained at the Facility;
- The capital stock of the Transferor or any of its subsidiaries or affiliates;
- The consideration delivered to Transferor pursuant to this Agreement;
- All tax refunds;
- All contracts for supplies or services that apply to any facilities owned, leased or otherwise affiliated with any Transferor other than the Facility;

- Any and all policies and procedures, manuals, guidelines, and other proprietary information related to Transferor's methods of operating the Facility;

- Any and all proprietary software owned by Transferor.

SCHEDULE 9
TO EXIT OPERATIONS TRANSFER AGREEMENT
ASSUMED CONTRACTS

EXHIBIT E

Form of Limited Power of Attorney

EXHIBIT E

FORM OF LIMITED POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned as a condition of entering into that certain Master Sublease and Security Agreement with Landlord (as defined below) dated effective as of January __, 2011, (the "Master Sublease") pursuant to which Landlord shall convey to the undersigned a leasehold interest in those certain real properties and certain personal property as set forth therein (the "Premises"), irrevocably appoints CROWN MASTER LANDLORD, LLC, a Delaware limited liability company ("Landlord"), in its capacity as Landlord, its true and lawful attorney-in-fact, and upon the occurrence of the events set forth in Section 15.1 of the Master Sublease, authorizes Landlord through its duly elected manager, in the name, place, and stead of the undersigned to make, execute, acknowledge, record, file, publish and deliver the following as set forth in the Master Sublease:

- (a) The Exit Agreement (as defined in the Master Sublease); and
- (b) A letter of consent enabling Landlord or its designee to consent to operate skilled nursing facilities and/or assisted living facilities with the applicable State agencies and every other regulatory agency now or hereafter claiming jurisdiction and to operate the Healthcare business at the Premises during the pendency of such application.

The foregoing appointment shall survive the bankruptcy of the entity giving such power.

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Master Sublease.

THIS POWER OF ATTORNEY IS COUPLED WITH AN INTEREST AND IS IRREVOCABLE.

[SIGNATURE PAGE TO FOLLOW]

[Signature Page to Limited Power of Attorney – Tenant]

WITNESS the signature and seal of _____ this ____ day of January, 2011, effective as of _____, ____.

GRACE MASTER TENANT, LLC,
a Delaware limited liability company

By: _____

Name: John P. O'Brien, Jr.

Title: Authorized Signatory

STATE OF _____
COUNTY/CITY OF _____

This instrument was acknowledged before me this ____ day of _____, 2011, by _____, the _____ of Grace Master Tenant, LLC, a Delaware limited liability company, on behalf of said company.

Notary Public

My Commission Expires: _____

EXHIBIT F

Subtenant Entities

Raintree Investments & Associates, LLC

Soddy Daisy Healthcare, LLC

St. Petersburg Nursing Home, LLC

Frederick Villa Investment & Associates, LLC

Leewood Investments & Associates, LLC

Cedar Lawn Investments, LLC

Sunland-Vero Beach, LLC

SCHEDULE 1

Licensed Beds per Facility

Name of Facility: Raintree Manor

Number of Licensed Beds: 140

Name of Facility: Soddy-Daisy Health Care

Number of Licensed Beds: 120

Name of Facility: Jacaranda Manor

Number of Licensed Beds: 299

Name of Facility: Frederick Villa Nursing Center

Number of Licensed Beds: 125

Name of Facility: Leewood Healthcare Center

Number of Licensed Beds: 132/40 (SNF/ALF)

Name of Facility: Grace Healthcare of Abingdon

Number of Licensed Beds: 119

Name of Facility: Royal Palm Convalescent Center

Number of Licensed Beds: 72

Schedule 5.4

**Insurance Certificates
(non-Michigan)**

[SEE ATTACHED]